PPB GROUP BERHAD

SUSTAINABLE GROWTH

ANNUAL REPORT 2016


OUR BUSINESSES
GRAINS & AGRIBUSINESS
CONSUMER PRODUCTS
FILM EXHIBITION & DISTRIBUTION
ENVIRONMENTAL ENGINEERING & UTILITIES
PROPERTY
V-SOY
MASSIMO
WATER

SUSTAINABLE GROWTH

The annual report theme this year of 'Sustainable Growth' is a reflection of PPB Group's initiatives and approaches in building brands, products and businesses. Not just a concept, it is how we conduct ourselves to achieve our corporate objectives.

We know that our businesses impact the surrounding eco-systems and the communities in which we operate. Hence, our sustainability framework seeks to ensure a corporate existence mindful of the economic, environmental and social impacts of our actions.

We endeavour to balance our business risks and opportunities with the interests of our many stakeholders to ensure long-term benefits and continuity. Our people throughout the organisation are conscious of their responsibilities to comply with the Group's ethical business standards and practices to build a sustainable corporate brand.

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.

ANNUAL REPORT 2016

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CORPORATE OBJECTIVES

CREATE VALUE FOR SHAREHOLDERS
To reward shareholders with sustainable and attractive dividends.

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

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

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.

STRENGTHEN MARKET POSITION
To further strengthen our leadership position in our core businesses.

COMMIT TO CORPORATE SOCIAL RESPONSIBILITY
To embrace responsible corporate citizenship focused on generating economic returns with positive contributions to society.

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

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

IMPROVE EFFICIENCY AND PRODUCTIVITY
To further drive operational effectiveness to ensure best-of-class operating standards.

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

CORPORATE PROFILE

PPB GROUP BERHAD

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 RM22.7 billion and RM18.8 billion respectively as at 31 December 2016.

PPB is headquartered in Kuala Lumpur, Malaysia and we have operations in China, Vietnam, Indonesia, Myanmar, Thailand and Singapore with more than 3,500 full-time 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 a total of 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 305 screens in 33 locations nationwide, capturing more than 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 18.6% 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.


GRAINS
&
AGRIBUSINESS
FLOUR

FLOUR MILLING

FFM Group operates five flour mills in Malaysia with a total milling capacity of 2,550 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.

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.

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 to complement the Group's animal feed milling operations with a monthly production capacity of 20.0 million eggs.

CONSUMER PRODUCTS

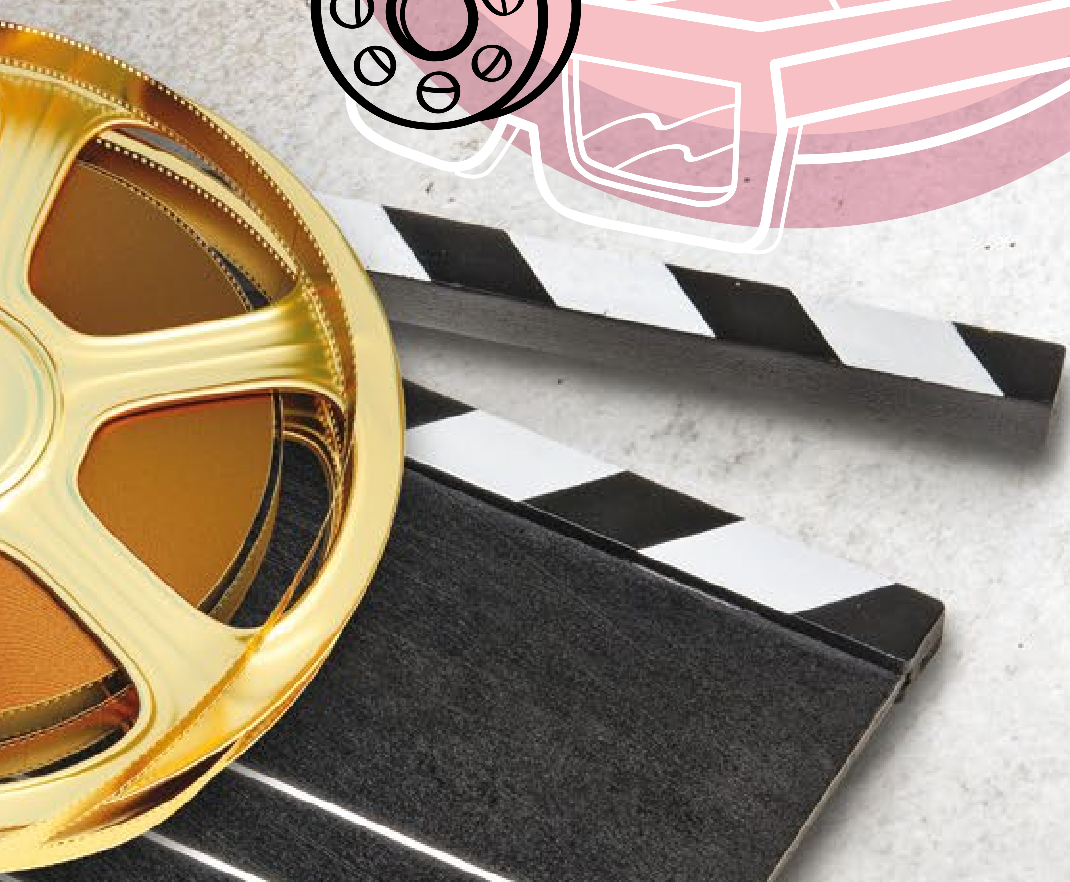
CONSUMER PRODUCTS DISTRIBUTION

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.

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.

FILM EXHIBITION & DISTRIBUTION



FILM EXHIBITION

Golden Screen Cinemas Sdn Bhd is the leading cinema exhibitor in Malaysia and operates 305 screens totaling 50,915 seats at 33 locations in major cities and towns nationwide. In Vietnam, the Group operates at 7 locations with a total of 43 screens and 7,256 seats.

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 81 films in 2016.


ENVIRONMENTAL
ENGINEERING
&
UTILITIES
WATER

CWM Group provides holistic solutions, advanced technologies and professional management services in water, sewage, solid waste and drainage sectors and has a track record of more than 100 projects with a combined contract value in excess of RM1.3 billion.

Its services include the following:

WATER ENGINEERING

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

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.

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.

FLOOD MITIGATION

Provide turnkey solutions for flood mitigation schemes.


PROPERTY

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 in Lorong Swatow, Georgetown, Penang
- The Whiteaways Arcade, Beach Street, Georgetown, Penang

PROPERTY DEVELOPMENT

PPB Hartabina Sdn Bhd is engaged in property development and will be launching a mixed development project in a strategic location in Petaling Jaya.

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

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

PPB Group Berhad ("PPB") delivered a commendable set of results against a backdrop of challenging economic times. We capitalised on our well-positioned and diversified portfolio of businesses to remain resilient in the present business environment, aided by our strong financial position.

Tan Sri Datuk Oh Siew Nam
Chairman

GROUP RESULTS

Group revenue increased 3% to RM4.19 billion in 2016. This was mainly attributed to higher revenue generated from our *Grains & Agribusiness*, *Consumer Products*, and *Film Exhibition & Distribution* segments, despite lower revenue from the *Environmental Engineering & Utilities*, and *Property* segments.

Group pre-tax profit also increased by 3% from the previous year to RM1.21 billion. The *Grains & Agribusiness* segment and better results from the Group's China associates were the main contributors to this increase. Profit attributable to shareholders was RM1.04 billion which translated to earnings per share of 88.15 sen for financial year ended 31 December 2016.

The global economic slowdown coupled with the weaker Ringgit and commodity prices had a significant impact on consumer sentiment and consumption generally. However, our established leading positions in various segments, especially *Grains & Agribusiness*, *Consumer Products* and *Film Exhibition & Distribution*, have helped to cushion the impact.

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 33 of this Annual Report which contains management's discussion and analysis of our businesses, operations and performance during the financial year.

DIVIDENDS

I am pleased to inform you that the Board has recommended the payment of a final single tier dividend of 17 sen per share, which together with the 8 sen per share interim single tier dividend, brings the total dividend for financial year 2016 to 25 sen per share. Subject to shareholders' approval at our forthcoming 48th Annual General Meeting, the proposed final dividend is payable on 25 May 2017.

We are committed to rewarding shareholders with consistent dividends over the long term. Backed by our growth strategies and healthy cash flow from operations, PPB has paid annual dividends of between 20 - 25 sen per share in the last five years.

CHAIRMAN'S STATEMENT

THE BOARD'S COMMITMENT ON CORPORATE GOVERNANCE

The Board is dedicated in upholding and implementing high standards of corporate governance. We actively strengthen our governance and internal controls which we strongly believe have an important role in achieving the Company's objectives to create shareholder value. I encourage you to read about our corporate governance initiatives and internal control processes in the relevant sections of this Annual Report.

SUSTAINABILITY

The PPB Group views its impact on its environment and communities seriously and it is an inherent part of our operations to be sustainable for the long-term benefit of the Group, its shareholders and other stakeholders. With the introduction by Bursa Malaysia of sustainability reporting requirements, listed issuers are required to include in their annual reports a statement of their management of material economic, environmental and social risks and opportunities. This replaces the report on corporate social responsibility activities and provides a broader, more holistic view of our businesses.

In 2016, the Group initiated a sustainability documentation and recording process covering every segment of its Malaysian operations. Our first sustainability statement on pages 65 to 86 of this Annual Report is the outcome of this process which describes our performance in key non-financial metrics, and highlights areas where our sustainability management and processes excel or can be strengthened further. It also provides a basis on which we can continually improve our business processes to better meet our stakeholders' expectations.

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 2017

The Malaysian economy is projected to register sustained growth of 4.3% - 4.8% in 2017 driven mainly by domestic consumption, although the external environment remains uncertain and may be subjected to several downside risks.

Local private consumption however, is anticipated to be supported by wage and employment growth, with additional drive from announced Government measures to support household disposable income. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

We expect the operating environment in 2017 to be challenging for the Group's core businesses, although our main business segments are expected to perform satisfactorily. Nonetheless Wilmar's performance will continue to contribute substantially to the Group's overall financial results for 2017.

APPRECIATION

On behalf of the Board, I wish to record our appreciation to our shareholders, customers, business partners and other stakeholders for their continued support and faith in the Group. I would also like to acknowledge the steadfast contributions of the staff and management of the Group especially during this difficult period to achieve another successful year for the PPB Group.

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

Tan Sri Datuk Oh Siew Nam
Chairman
23 March 2017

MANAGING DIRECTOR'S REVIEW

We expect to sustain our performance and navigate through these challenging times. Over the years, we have built the brands, the businesses and the Group to a leading position in the market through strong management; industry experience and expertise.

Lim Soon Huat
Managing Director

For the year 2016, the Group achieved strong revenue and operational growth despite the challenging operating environment. We have successfully expanded our core businesses locally and regionally, strengthened our key competitive advantage and embarked on new growth opportunities. This was possible due to our strong organisational culture, team work, continuous innovation in delivering values to our customers as well as management and staff commitment and support.

ECONOMIC AND OPERATING ENVIRONMENT IN FY2016

The Malaysian economy grew 4.5% in the fourth quarter of 2016, underpinned by continued expansion in private sector expenditure. The manufacturing and services sectors showed resilience providing the impetus for continued economic growth as the weaker Ringgit made Malaysian exports more competitive. For the year, the Malaysian economy grew at a slower pace of 4.2% amidst falling revenue from weaker commodity markets and global economic concerns arising from Brexit and the US political scene, especially their impact on international trade.

For the general population, bread and butter issues of rising food and fuel prices, removal of Government subsidies, the goods and services tax ("GST") impact, prolonged weak Ringgit and moderating job opportunities amongst others have resulted in Malaysians adopting a more cautious approach to private consumption. The impact of this approach to private consumption and investments was moderated to a certain extent by the continuing Government measures to support household disposable income through BR1M and other policies and initiatives.

Overall the challenging economic conditions and lower consumer confidence have affected domestic market sentiments but the established leading position of the Group's various segments in particular *Grains & Agribusiness, Consumer Products* and *Film Exhibition & Distribution* as well as the Group's diversified portfolio have helped cushion such impact.

REVIEW OF BUSINESS OPERATIONS

GRAINS & AGRIBUSINESS

This business segment represents one of the Group's core businesses and remains the largest contributor to revenue and profit. With 50 years of operations, FFM Berhad ("FFM") maintains a leading position in the flour milling market in Malaysia with its industry knowledge and experience. The Group currently has nine flour mills, five in Malaysia and four others in Vietnam, Indonesia and Thailand. Together with the nine associates in China in which FFM has 20% interest, the Group has a total flour milling capacity of 18,820 mt wheat/day.

FFM Group's Flour Milling Capacity

Country	Total (mt wheat/day)
Malaysia	2,550
Thailand	670
Vietnam	1,050
Indonesia	2,000
China	12,550
Total	**18,820**

The Group's *Grains & Agribusiness* segment also includes animal feed milling and livestock farming in Malaysia. FFM has five feed mills with a total designed milling capacity of 145 mt/hour. The livestock farming operations consist

MANAGING DIRECTOR'S REVIEW

of a layer farm in Trong, Perak capable of producing 20 million eggs per month marketed under the brand name of *Seri Murni* and two breeder farms in Sua Betong, Negeri Sembilan and Gurun, Kedah with a production capacity of 3.25 million day-old-chicks (DOCs) per month.

Key developments and major activities

The Group commenced construction of a new 500 mt/day flour mill in Pasir Gudang, Johor as part of management plans to replace older mills. Construction is progressing and we expect to commence operations by 4th quarter of 2017. In Vietnam, we are expanding production capacity with the construction of our second 500 mt/day wheat flour mill in Ba Ria - Vung Tau, southern Vietnam, about an hour's drive from Ho Chi Minh City, which is expected to be completed in the second quarter of 2017.

Challenges and plans

There is minimal growth in the domestic wheat flour market which is primarily driven by the consumption habits of the population. The current weakened consumer spending has put pressure on the industry but we can tap into our key strengths to maintain a competitive edge, and capitalise on changing consumer trends towards healthier eating due to higher living standards.

There is a rising consumption trend in other less affluent markets with lower per capita income compared to Malaysia. As the disposable income of families improve in these countries, basic food components like flour will see an overall rise in consumption. The Group having expanded into and increased production capacity in Vietnam and Indonesia will benefit from these growth markets.

The weaker Ringgit against the US Dollar ("USD") is one of the key challenges for the Group. Wheat prices are subjected to many factors including the weather, political events and economic conditions in wheat-producing countries. The Group has experience in monitoring foreign exchange fluctuations as well as wheat futures to hedge both currency and wheat prices to minimise their impact.

The livestock farming operations continue to face volatility in the face of slower growth due to the already high per capita consumption of chicken in the country, escalating competition leading to price undercutting, a declining customer base for DOCs with the acceleration of vertical integration, and consolidation in the broiler business. Disease outbreak also has a strong impact on the poultry industry. To counter these challenges, we channel our efforts to improve farm productivity, and quality of DOCs and eggs as well as strengthen bio-security management.

Moving forward

We are confident in maintaining our leading market position despite the intense competition in the flour markets in Malaysia, Indonesia and Vietnam. The completion and commissioning of the two 500 mt/day mills in Pasir Gudang, Johor and Ba Ria - Vung Tau will further enhance our performance.

FFM Grains & Mills' newly acquired feed mill in Pasir Gudang.

MANAGING DIRECTOR'S REVIEW

CONSUMER PRODUCTS

The fast-moving consumer goods ("FMCG") business of the Group comprising marketing and distribution of in-house and agency products, has grown over the years to include bakery and food processing. The Group's key in-house products known for their quality, consistency and reliability enjoy visibility on the shelves of popular supermarkets, large retail outlets and neighbourhood stores, and see strong and steady off-take. Our extensive marketing and distribution channels which comprise 12 warehouses in Peninsular and East Malaysia totalling 300,000 sq ft of space, have to-date distributed many international brands.

In-house Brands	Products
Anchor	Packaged flour
Blue Key	Packaged flour
Muhibah	Packaged flour (distributed in East Malaysia only)
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/ fish fingers/ sausages/ beef balls)
Seri Murni	Premium/ standard eggs
Shamu	Canned nata de coco in syrup, pink guava, pineapple, orange & mango juice

In the short years since the bakery business started, our *Massimo* bread and cake products have made significant in-roads into the market and today, the brand is well-recognised for its quality and taste. Our premium frozen foods under the *Marina* brand appeals to Malaysians looking for healthier convenience food options.

Key developments and major activities

The Group has secured distribution rights from Reckitt Benckiser (Malaysia) Sdn Bhd ("Reckitt Benckiser") for their leading brands such as Dettol, Strepsils, Durex, Gaviscon, Harpic, Vanish, Optrex and Shieldtox in north Malaysia covering Penang, Perak, Kedah and Perlis.

Initiatives to introduce new products in line with changing consumer demands and taste, has seen the successful launch of *Massimo*'s Fine Wholemeal Loaf and Pandan Coconut Chiffon in a Cup.

The Group's baking plant has successfully implemented an enterprise resource planning (ERP) system to improve its supply chain management.

Challenges and plans

The implementation of GST and weaker Ringgit have affected consumer spending and purchasing power.

The consumer products business, faced with increasing operating costs from the weaker Ringgit, rising commodity prices, higher minimum wage and fuel costs, has limited pricing flexibility in view of the current lower disposal incomes and implementation of the Price Control and Anti-Profiteering Regulations 2016. Nevertheless, the Group is confident in overcoming these challenges in view of its business model which is more resilient to macro-economic changes. Bread as well as creams buns should see better demand as most consumers will likely deemed these as cheaper alternatives.

Competition in the present economic scenario is more intense with aggressive advertising and promotional campaigns. However, the Group's focus on quality products without compromising safety and health standards will continue to strengthen our market position.

Moving forward

The business environment is expected to be even more challenging this year with weaker domestic demand. With the removal of the cooking oil subsidy (except for the 1-kg pouch), the Group will focus on building the volume and market share of our own edible oil brands. We will also widen the range of bakery offerings through product extensions to increase turnover, and improve on the marketing and distribution of frozen and chilled perishables segment. To ensure business stability, we will continue to build our own brands and look for good-fit agency lines complementing our dynamic distribution channels.

MANAGING DIRECTOR'S REVIEW

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 the Group has over the years built the GSC brand to a leading position in the country through understanding the needs and expectations of movie-goers, and pushing the envelope with 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 Indochina markets. Over the last few years, GSC Movies has also diversified into co-production of local movies, one of which is "Ola Bola", one of the top local movies released in 2016.

The Group through GSC Vietnam Limited owns 40% equity interest in Galaxy Studio Joint Stock Company which operates the Galaxy brand of cinemas in Vietnam.

Key developments and major activities

In August 2016, GSC added four digital screens to its flagship cinema at Mid Valley Megamall increasing the number of screens from 17 to 21 to maintain its position as the largest multiplex in Southeast Asia.

To-date, GSC has 305 digital screens in 33 locations across Malaysia.

GSC's 11-screen Cinema in NU Sentral, Kuala Lumpur.

MANAGING DIRECTOR'S REVIEW

	Cinemas in Malaysia	Location	No. of Screens	No. of Seats
1	GSC Mid Valley Megamall	Kuala Lumpur	21	2,763
2	GSC 1 Utama	Petaling Jaya	13	2,180
3	GSC IOI City Mall	Putrajaya	13	2,133
4	GSC Pavilion KL	Kuala Lumpur	13	1,913
5	GSC Gurney Plaza	Pulau Pinang	12	1,610
6	GSC Ipoh Parade	Ipoh	11	1,926
7	GSC NU Sentral	Kuala Lumpur	11	1,783
8	GSC IOI Mall	Puchong	10	2,092
9	GSC Dataran Pahlawan	Melaka	10	2,004
10	GSC CityONE Megamall	Kuching	10	1,868
11	GSC AEON Bandaraya Melaka	Melaka	10	1,783
12	GSC Quill City Mall	Kuala Lumpur	10	1,751
13	GSC Palm Mall	Seremban	10	1,659
14	GSC Aman Central	Alor Setar	10	1,599
15	GSC East Coast Mall	Kuantan	9	1,633
16	GSC Setia City Mall	Shah Alam	9	1,570
17	GSC Paradigm Mall	Petaling Jaya	9	1,566
18	GSC Berjaya Times Square	Kuala Lumpur	9	1,426
19	GSC Queensbay Mall	Bayan Lepas	8	1,528
20	GSC 1Borneo	Kota Kinabalu	8	1,504
21	GSC Suria Sabah Mall	Kota Kinabalu	8	1,471
22	GSC Tropicana City Mall	Petaling Jaya	8	1,465
23	GSC Alamanda	Putrajaya	8	1,404
24	GSC Klang Parade	Klang	8	1,323
25	GSC Amanjaya Mall	Sungai Petani	8	1,306
26	GSC Sunway Carnival	Seberang Jaya	8	1,098
27	GSC Bintang Megamall	Miri	8	1,010
28	GSC Summit USJ	Subang Jaya	7	950
29	GSC Signature	Kuala Lumpur	7	572
30	GSC Mentakab Star Mall	Mentakab	6	1,093
31	GSC Berjaya Megamall	Kuantan	5	948
32	GSC Terminal One	Seremban	4	1,010
33	GSC Cheras LeisureMall	Kuala Lumpur	4	974
			305	**50,915**

MANAGING DIRECTOR'S REVIEW

Galaxy Tan Binh in Ho Chi Minh City, Vietnam.

To maintain its premier brand position, GSC continually invests in new technologies and innovative services; and upgrades facilities to meet consumers' expectations. GSC has extended the Dolby Atmos audio surround technology to another six cinemas in 2016 making it available in 21 cinemas. Responding to popular demand, GSC has installed D-Box motion seats which are synchronised with the on-screen action in an additional five cinemas making it available in nine key cinemas.

GSC's commitment and drive to provide quality movie entertainment was recognised with a third consecutive Gold Award in the Putra Brand Awards 2016 under the Entertainment Category.

In Vietnam, Galaxy Studio expanded its operations from Ho Chi Minh City ("HCMC") with the opening of three new cinemas with a total of 19 screens at Ben Tre in the Mekong Delta, Mipec in Hanoi and Danang. Two additional screens were added to the popular 3-screen cinema in Nguyen Du which helped cushion the revenue loss from the closure of a 3-screen cinema in Nguyen Trai, both located in HCMC. Galaxy now operates 43 screens at seven locations in Vietnam.

	Cinemas in Vietnam	Location	No. of Screens	No. of Seats
1	Galaxy Nguyen Du	Ho Chi Minh City	5	1,051
2	Galaxy Tan Binh	Ho Chi Minh City	5	988
3	Galaxy Kinh Duong Vuong	Ho Chi Minh City	7	1,336
4	Galaxy Quang Trung	Ho Chi Minh City	7	1,020
5	Galaxy Ben Tre	Ben Tre, Mekong Delta	5	692
6	Galaxy Long Bien	Hanoi	7	1,141
7	Galaxy Da Nang	Da Nang	7	1,028
			43	**7,256**

MANAGING DIRECTOR'S REVIEW

Challenges and plans

The cinema industry in Malaysia crossed the 1,000-screen threshold to 1,041 screens, with box office collections exceeding RM1 billion. Twelve new locations with a total of 71 screens were added to the industry.

With the mushrooming of shopping malls and corresponding growth in the number of cinemas in the country, the industry faces stiff competition. This is especially prevalent in the Klang Valley where many shopping malls are close to each other, with more in the pipeline leading to market saturation. GSC has become more selective of locations, focusing only on strategic sites and under-screened markets for better growth prospects. Increased competition from alternative entertainment media together with the advancing penetration of internet, broadband and streaming services will pose another challenge. Nonetheless our commitment to technological innovation and customer service to provide quality cinematic experience, will continue to attract movie-goers. Cinema-going being a lifestyle trend for today's youth fuelled by blockbuster movie releases also augurs well for the industry.

Moving forward

In 2017, our growth will be driven by the opening of three new cinemas with 39 screens, and the addition of three new screens in our existing GSC Summit at USJ coupled with the stronger line up of movies.

New Locations in Malaysia	No. of Screens	Opening Date
MyTOWN Shopping Centre, Cheras	13	2Q2017
Melawati Mall, Melawati	10	2Q2017
Paradigm Mall, Johor Bahru	16	4Q2017
	39	

Existing Location	Additional Screens	Opening Date
GSC Summit, USJ	3	4Q2017
Total no. of new screens	**42**	

In Indochina, we are targeting to open six cinemas totalling 37 screens in Vietnam, and a 9-screen cinema in Cambodia to tap into the growing markets there.

New Locations in Vietnam	No. of Screens	Opening Date
Ca Mau, Co Op	6	2Q2017
District 12	7	2Q2017
Pham Van Chi	7	3Q2017
Vinh City	5	3Q2017
Huynh Tan Phat, Co Op	7	4Q2017
Nguyen Kim, Co Op	5	4Q2017
	37	

New Location in Cambodia		Opening Date
Phnom Penh City Centre	9	4Q2017

We hope to grow the cinema operations earnings base by venturing into complementary businesses, and expand into potential markets in Southeast Asia through strategic acquisitions and partnerships.

MANAGING DIRECTOR'S REVIEW

ENVIRONMENTAL ENGINEERING & UTILITIES

Chemquest Group is a leading provider of innovative solutions, advanced technologies and professional management for the water and sewage industry. The 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 a subsidiary, it is a member of the concessionaire operating sanitary landfills in the State of Selangor. Chemquest Group is known for its established track record in this industry, and strong technical capabilities including its own process technologies for water and sewage treatment.

To-date, the Group has successfully constructed and commissioned more than 100 water and sewage projects with a combined contract value of over RM1.3 billion.

Key developments and major activities

For the financial year under review, the Group successfully completed 18 sewage treatment plants under the Greater KL Sewage Scheme with a combined contract sum of RM96 million. In addition, the Group has also secured 11 sewage network pumping station projects valued at RM93 million in total.

We have also successfully commissioned and delivered a 260,000 m^3/day of raw water supply under the Projek Air Mentah RAPID Scheme.

Chemquest Group's order book stands at RM145 million for water and sewage projects as at 31 December 2016.

Challenges and plans

The water and sewage projects are mainly funded by the Federal or State governments subject to priority and budgets. Of late, competition in this sector has intensified due to fewer prospects in other industries. Chemquest Group is well-positioned as a reliable and dependable partner and total solutions provider for water and sewage projects with an established track record to successfully bid for such projects. In the longer term, the Group has set its sights on expanding not only in Malaysia but also to the Asia Pacific region by leveraging on its strong financial standing, reputation and network.

Moving forward

We are currently pursuing prospective projects valued at approximately RM600 million in the water and sewage industries in Malaysia and hope to crystallise some of them during the year.

MANAGING DIRECTOR'S REVIEW

PROPERTY

In the property development and investment, and project management sectors, the Group has over time built a reputation as a reputable and reliable property 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.

Property	Owner	Lettable Area (sf)	Occupancy Rate as at 31.12.2016 (%)
Cheras LeisureMall	PPB Group Berhad ("PPB")	260,960	91
Cheras Plaza	PPB	101,189	84
New World Park (undergoing renovations)	PPB	62,169	15
Whiteaways Arcade	PPB	30,433	64
Damansara Jaya shoplots	Cathay Theatres Sdn Bhd	53,379	100

Key developments and major activities

The Group successfully completed and handed over vacant possession of 11 units of high end bungalows in Taman Tanah Aman, Seberang Perai. This niche development of 14 bungalow units has a gross development value of RM36.8 million.

Always looking for opportunities to increase its land bank, the Group acquired two pieces of freehold land measuring 5.818 acres in Penang for the proposed development of affordable housing and mid-to-high end condominiums.

Challenges and plans

The weak property market coupled with tightening of criteria for housing loans and mortgages have further impacted the housing market. The fall in the Consumer Sentiments Index is also an indication that potential buyers are taking a cautious "wait-and-see" approach to property investment.

The Group is of the view that property investment and rental markets are cyclical and to prevail, we must have the tenacity and determination to be strategic and capitalise on our strengths when the market recovers. Be that as it may, there are still opportunities for developments as affordable homes in good locations remain in demand.

Moving forward

Although we expect the property market to remain weak in 2017 with current consumer sentiments and tighter regulatory control of property financing, we look forward to this year with optimism as the Group will be launching a mixed development project on the strategic Taman Megah land in Petaling Jaya. Situated in an established sub-urban neighbourhood, we expect this development to be well-received by middle to upper income families.

At Cheras LeisureMall, plans are underway to build a link bridge to the MRT (mass rapid transit) station to improve access to the mall and increase lettable space.

The Group will continue to seek opportunities to secure additional land bank for future development.

MANAGING DIRECTOR'S REVIEW

GROUP OUTLOOK & PROSPECTS FOR 2017

Going forward, the global economy is expected to improve but remain on a moderate growth path. While there are indications of more sustained growth in the major economies in 2017, downside risks continue due to volatility in commodity prices, policy uncertainties and growth prospects in the major economies.

Against this external environment backdrop, the overall domestic economic outlook for 2017 appears to be cautiously optimistic. Malaysia's GDP is forecasted to grow by 4.3% to 4.8% supported by domestic demand especially from private consumption and investment. Private consumption is anticipated to remain supported by wage and employment growth with additional impetus from the Government's initiatives announced in the recent 2017 Budget such as BR1M for low income households. The Government's pump priming agenda continues with ongoing large infrastructure projects such as MRT 2, RAPID and the Pan Borneo Highway. Other upcoming projects announced including the high-profile Bandar Malaysia, East Coast Railway Line and KL-Singapore High Speed Rail will provide further boost to private investment. The current accommodative monetary policy should also provide some support to economic growth.

We expect to sustain our performance and navigate through these challenging times. Over the years, we have built the brands, the businesses and the Group to a leading position in the market through strong management; industry experience and expertise.

Intense competition is expected to continue in the flour markets in Malaysia, Indonesia and Vietnam. Commodity prices, currency rates, rising fuel prices along with cautious consumer spending will have an impact on the industry but we are confident of maintaining our strong position. The new flour mills in Johor and Vietnam are expected to improve operational efficiency and increase market share of our anchor brands.

The animal feed market remains uncertain in Malaysia with a rapidly evolving industry landscape. The industry is undergoing a consolidation phase with the exit of smaller poultry farms and vertical integration of the bigger players in the market. Contraction of the feed market is also felt as many high volume customers switch to the cheaper alternative of home-mixing and toll milling.

Livestock farming is generally a cyclical and seasonal business. The industry is currently benefiting from the strong uptrend of broiler prices due to a sudden shortfall which has led to better DOC prices. Uncertainties in the poultry market remain with volatile market forces, increasing trade liberalisation and risk of disease outbreaks. We continue to improve on our farm productivity and quality of DOCs and eggs, and strengthen our infectious disease surveillance and bio-security management.

There appears to be growing protectionist sentiment and uncertainty caused by US policies on international trade. Overall, the *Consumer Products* segment expects to perform satisfactorily as we see the FMCG business as more resilient to macro-economic changes despite downward pressure on disposable income. Leveraging on the strong brands of *Massimo* and *Marina*, we intend to widen the range of bakery and frozen products.

Growth from the *Film Exhibition & Distribution* segment will be driven by the opening of three new cinemas in Malaysia namely, MyTOWN in Cheras, Melawati Mall in Melawati and Paradigm Mall in Johor Bahru. GSC continues to evaluate more strategic locations for expansion and to grow market share. The line-up of films is expected to be stronger in 2017 with a continuous release of blockbusters throughout the year.

In Indochina, we see strong growth potential and Galaxy's plans to open six new cinemas in Vietnam and GSC's first cinema in Phnom Penh will further enhance our regional presence.

The Group has extensive track record in the *Environmental Engineering & Utilities* segment and with the Government's focus on public sector infrastructure development, we will actively participate in projects to upgrade and renew the water and sewage infrastructures.

MANAGING DIRECTOR'S REVIEW

Despite the weak property market, management looks forward to the launch of a new mixed development in Taman Megah, Petaling Jaya which is centrally located in a well-established neighbourhood. Continuing efforts to improve yields of our investment properties together with the launch of this project will deliver better performance for the segment.

Overall, the Group will remain focussed on its core competencies and with an experienced management team, we expect our main business segments to perform satisfactorily. Nonetheless Wilmar's performance will continue to contribute to the Group's overall financial results for 2017.

FINANCIAL REVIEW

GROUP FINANCIAL PERFORMANCE

	2016 RM'000	2015 RM'000
Revenue	4,186,376	4,048,314
Profit before tax	1,211,110	1,181,122
Profit attributable to shareholders	1,044,993	1,051,311
Earnings per share (sen)	88.2	88.7

In 2016, Group revenue increased by 3% to RM4.19 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.

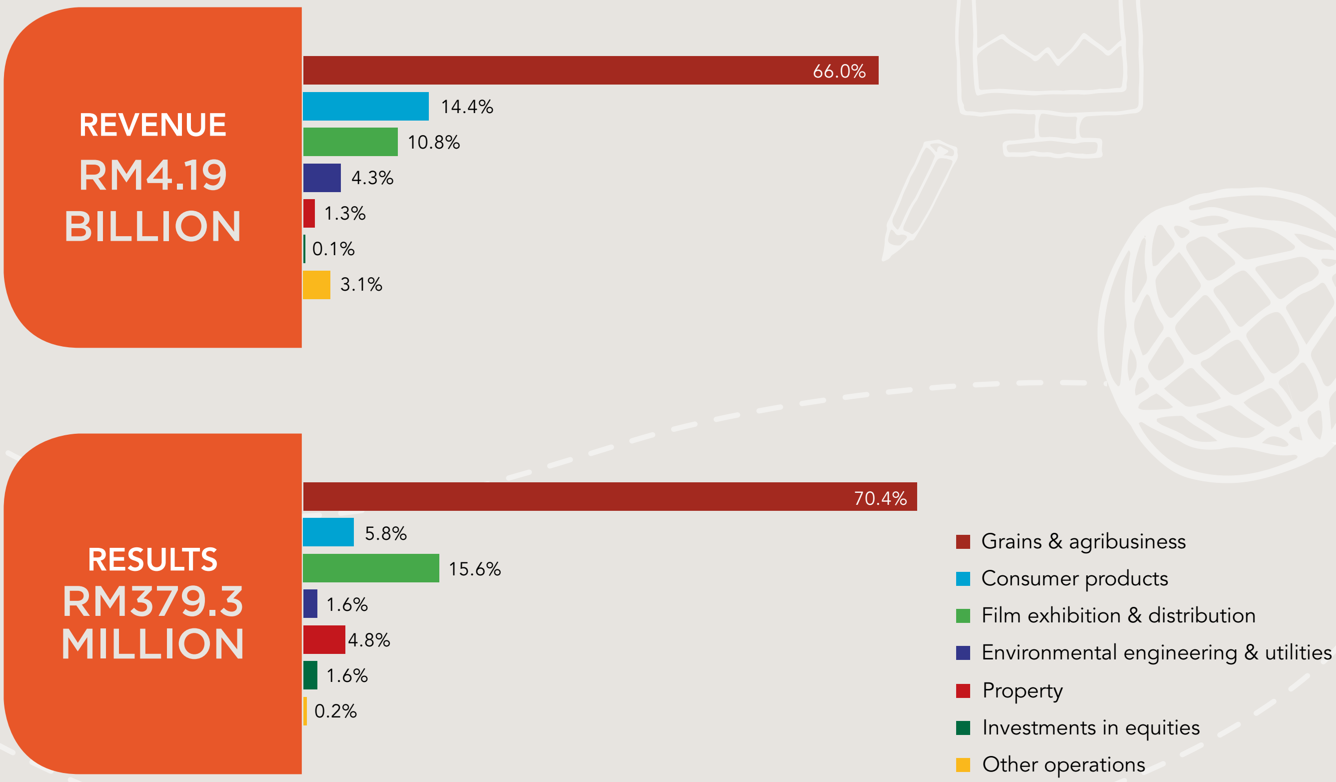
Group profit before tax increased by 3% to RM1.21 billion due mainly to higher profit contribution by the *Grains & Agribusiness* segment as well as better results from the Group's China associates.

Profit attributable to shareholders was RM1.04 billion, which translated to earnings per share of 88.2 sen.

The Group successfully completed and handed over vacant possession of 11 units bungalows in Taman Tanah Aman, Seberang Perai.

MANAGING DIRECTOR'S REVIEW

Financial Performance by Business Segments



GRAINS & AGRIBUSINESS

	2016 RM'000	2015 RM'000
Segment revenue	2,864,377	2,710,870
Segment results	267,209	260,376

Segment revenue rose 6% to RM2.86 billion in 2016 due to the increase in flour sales volume in Vietnam from a full year contribution by the mill in northern Vietnam, coupled with increase in both selling prices and sales volume in Indonesia. While sales volume from Malaysian flour mills improved marginally, their revenue decreased from the overall lower selling prices in the domestic market. Animal feed revenue was slightly lower and livestock farming saw an increase mainly from higher production of day-old-chicks and better prices.

In 2016, segment profit was marginally higher at RM267 million against RM260 million a year ago. The better performance from the Indonesia and Vietnam flour mills balanced out the lower profits from the Malaysian flour mills, and the comparatively lower net foreign exchange translation gain in the year. Profit from the animal feed business grew as a result of higher selling prices and lower raw material costs, while the livestock farming results improved from lower production costs and better prices.

MANAGING DIRECTOR'S REVIEW

CONSUMER PRODUCTS

	2016 RM'000	2015 RM'000
Segment revenue	625,769	590,717
Segment results	22,009	25,351

The segment revenue growth of 6% to RM626 million was contributed by distribution of a new line of agency products from Reckitt Benckiser and improved sales of cooking oils and packaged flour. Higher sales volume and selling prices of bakery products also contributed to revenue growth.

Notwithstanding the revenue growth and better results from the bakery division, segment profit was lower at RM22 million. This was mainly due to increased staff costs including new recruits to service the new agency line, and the comparatively higher sales of lower margin products.

FILM EXHIBITION & DISTRIBUTION

	2016 RM'000	2015 RM'000
Segment revenue	468,492	435,571
Segment results	59,055	65,613

The segment revenue growth of 8% to RM468 million was mainly attributed to the full year contribution from five new cinemas opened in 2015. Improved cinema collections from strong blockbuster, Chinese New Year and local movies and higher concession sales also supported the better results in 2016.

Despite higher revenue, the lower profit contribution from film distribution and a foreign exchange translation loss suffered on USD-denominated loans resulted in lower segment profit of RM59 million in 2016.

ENVIRONMENTAL ENGINEERING & UTILITIES

	2016 RM'000	2015 RM'000
Segment revenue	186,361	255,321
Segment results	6,151	10,572

Segment revenue was lower at RM186 million due to progressive completion of engineering projects throughout the year. The newly-secured projects on the other hand are at their initial stages and have yet to contribute in the year under review.

In tandem with the lower revenue, the segment reported lower profits of RM6.1 million in 2016.

MANAGING DIRECTOR'S REVIEW

PROPERTY

	2016 RM'000	2015 RM'000
Segment revenue	55,593	65,366
Segment results	18,013	25,166

The Property segment posted lower revenue of RM56 million due to lower progress billings recognised in 2016 on delivery of vacant possession of properties sold in Taman Tanah Aman, Seberang Perai, and the reduced rental income from lower occupancy rates in the New World Park property. In 2016, rental income from the Group's investment properties was the main component of the segment revenue.

Segment profits reduced to RM18 million in line with the lower revenue.

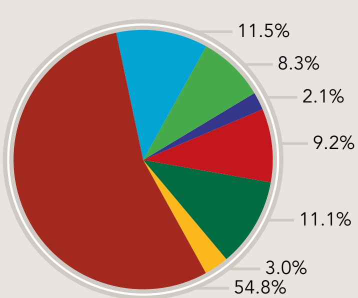
GROUP FINANCIAL POSITION

	2016 RM'000	2015 RM'000
Total assets	22,702,710	21,925,474
Total liabilities	1,034,977	1,372,903
Net assets per share attributable to owners of the parent (RM)	17.69	16.80

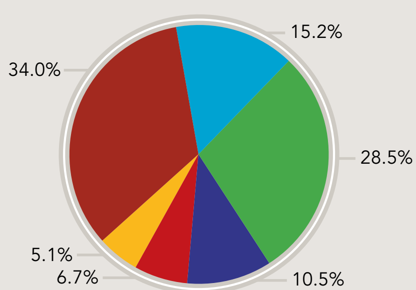
Group total assets expanded by 4% to RM22.70 billion. This was mainly from the increased investment value in Wilmar International Limited ("Wilmar") as a result of the Group's share of its profit contribution in 2016, and a favourable foreign exchange translation of Wilmar's net assets from USD to Malaysian Ringgit. There was a decrease of RM337.9 million in the Group total liabilities mainly due to repayment of bank borrowings and a reduction in trade payables due to lower level of inventory holding.

Net assets per share improved to RM17.69 as at 31 December 2016.

ASSETS
RM3.98 BILLION



LIABILITIES
RM380.3 MILLION



- Grains & agribusiness
- Consumer products
- Film exhibition & distribution
- Environmental engineering & utilities
- Property
- Investments in equities
- Other operations

MANAGING DIRECTOR'S REVIEW

GROUP CASH FLOWS

	2016 RM'000	2015 RM'000
Net cash generated from operating activities	382,084	369,248
Net cash generated from/(used in) investing activities	133,533	(30,224)
Net cash used in financing activities	(538,273)	(239,062)

Net cash generated from operating activities was higher at RM382.1 million, mainly due to improved operating profit earned by the Group's core businesses while the settlement of trade payables had partly utilised the cash generated.

During the year, the Group generated net cash of RM133.5 million from investing activities. The Group received dividends of RM294.7 million from its associates, RM25.4 million from disposal of property, plant and equipment as well as investment properties, RM20.3 million income from short-term fund placements, and RM20.1 million interest earned from deposits with licensed banks. RM133.9 million was spent on capacity expansion of flour and feed mills, bakery, livestock, frozen food processing as well as cinema operations, RM49.5 million in advances to associates and RM45.9 million on acquisition of land for future development.

In 2016, net cash used in financing activities of RM538.3 million was mainly for dividend payments of RM296.4 million to our shareholders. The Group had also repaid RM181.0 million of revolving credits and short-term loan facilities and RM38.7 million of long-term loan facilities.

Group Bank Borrowings

As at 31 December 2016, Group borrowings were lower at RM528.0 million compared with RM726.9 million in 2015, of which 61.8% or RM326.5 million were bills payable and trade facilities utilisation. The balance 38.2% amounting to RM201.5 million was made up of :

- current portion of long-term loans, revolving credits and overdrafts totalling RM128.6 million, repayable within 12 months; and
- long-term bank loans of RM72.9 million, repayable within 5 years.

Most of the Group's borrowings were unsecured and based on floating rates of interest ranging from 1.30% to 9.50% per annum. Group exposure to foreign currency borrowings was RM506.3 million equivalent, of which about 54% was USD-denominated.

GROUP CAPITAL EXPENDITURE

Total Group capital expenditure incurred during the year was RM168.6 million.

Grains & Agribusiness segment spent:

- RM51.9 million on a new wheat flour mill in the existing factory in Vung Tau, Vietnam;
- RM47.0 million to construct a new wheat flour mill in Pasir Gudang, Johor and upgrading flour mill facilities in Cilegon, Indonesia;
- RM2.2 million on upgrading caging system and farm facilities in Trong, Perak; and
- RM1.1 million on constructing 5 units of concrete silos in Pulau Indah, Selangor.

Consumer Products segment incurred:

- RM7.0 million on bakery delivery vehicles;
- RM0.7 million on the frozen food production facility; and
- RM0.4 million on a new warehouse and office building.

MANAGING DIRECTOR'S REVIEW

Film Exhibition & Distribution segment paid:

- RM16.0 million to purchase D-Box seats, Dolby Atmos sound systems, replacing cinema seats, upgrading of computer system and office renovation;
- RM14.2 million on the cinema extensions in Mid Valley Megamall and USJ Summit; and
- RM4.8 million on the outfitting of new cinemas in Melawati Mall and MyTOWN, Kuala Lumpur; Paradigm Mall, Johor Bahru; and Selayang Star City Mall, Selayang.

Environmental Engineering & Utilities segment spent:

- RM0.8 million on upgrading of equipment, office renovations and purchase of motor vehicles.

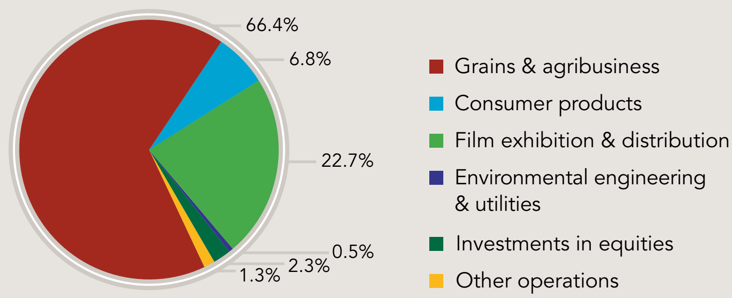
Property segment incurred:

- RM4.1 million on upgrading of mall facilities and office renovations.

ANALYSIS OF GROUP TOP RISKS

In a rapidly changing business environment, the identification and management of risks are important aspects to the sustainability of a business especially for a conglomerate like the PPB Group with diverse businesses and stakeholders.

CAPITAL EXPENDITURE
RM168.6 MILLION



The Group has identified the following top four risks to be managed for its continued long term success:

- **Reliance on certain income stream**

  PPB Group is a conglomerate, which also has an 18.6% stake in Wilmar International Limited ("Wilmar"). Currently, it relies to a large extent on contributions from Wilmar and FFM Group, to meet one of the objectives of the Group which is to reward shareholders with sustainable and consistent dividends. Hence, the Group has been investing and expanding its other segments both domestically and overseas, and continually looks for investment opportunities, in order 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 engagement of external advisers or consultants for advice on compliance matters.

- **Health and safety hazards**

  The nature of certain business segments in the Group may expose our employees to health and safety hazards. To foster a safe and healthy work environment, action taken include ongoing safety awareness and training sessions for employees and other stakeholders, formation of OSHA committees and stringent enforcement of OSHA requirements.

- **Foreign exchange risk**

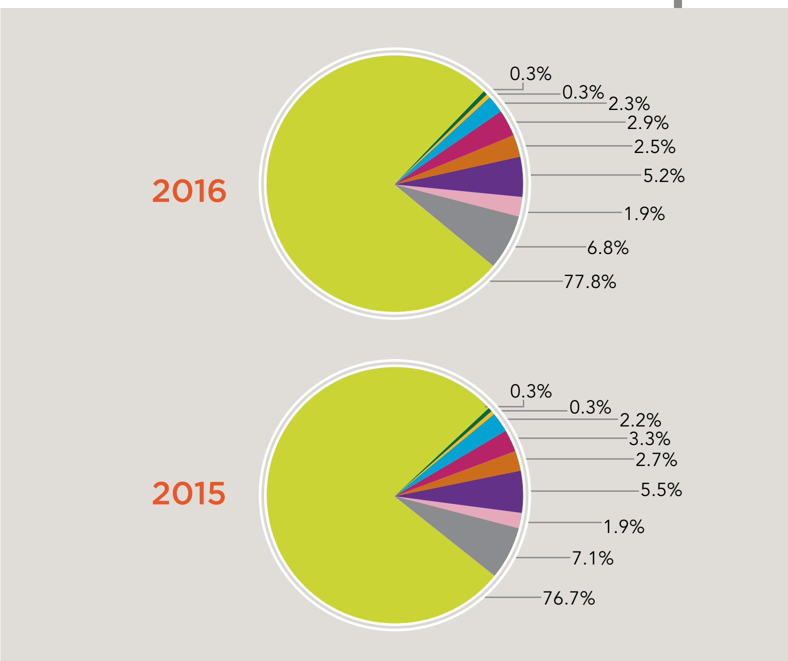
  The weakening Ringgit Malaysia has brought challenges to PPB Group as most of the raw materials for the food processing and manufacturing segments, film rights purchases and overseas investments are denominated in foreign currencies. The Group monitors currency fluctuations closely and hedges part of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

23 March 2017

GROUP FINANCIAL HIGHLIGHTS

		2016 RM Million	2015 RM Million	Change %
INCOME STATEMENT				
Revenue		4,186	4,048	3.4
Profit before tax		1,211	1,181	2.5
Profit for the year		1,107	1,076	2.9
Profit attributable to owners of the parent		1,045	1,051	(0.6)
STATEMENT OF FINANCIAL POSITION				
Equity attributable to owners of the parent		20,973	19,917	5.3
Total equity		21,668	20,553	5.4
RATIOS				
Return on net assets attributable to owners of the parent	(%)	4.98	5.28	
Earnings per share	(sen)	88.15	88.68	
Interest coverage	(times)	49.44	40.37	
Current ratio	(times)	3.27	2.52	
Total borrowings/Equity	(%)	2.44	3.54	
Long-term borrowings/Equity	(%)	0.34	0.54	
Net assets per share attributable to owners of the parent	(RM)	17.69	16.80	
Operating cash flow per share	(sen)	32.21	31.11	
PE ratio	(times)	17.99	17.93	
Net dividend per share	(sen)	25.00	25.00	
31 December closing price	(RM)	15.86	15.90	

SIMPLIFIED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



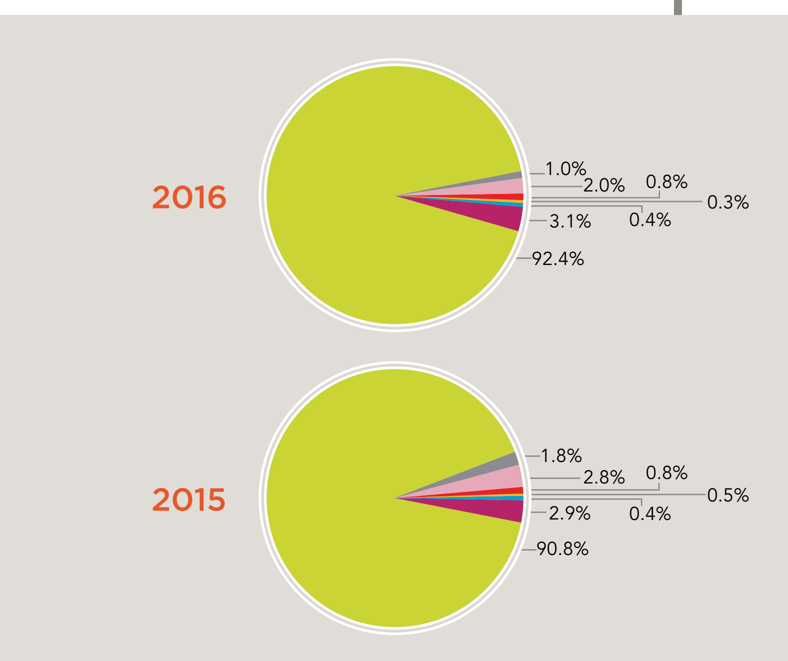
ASSETS

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

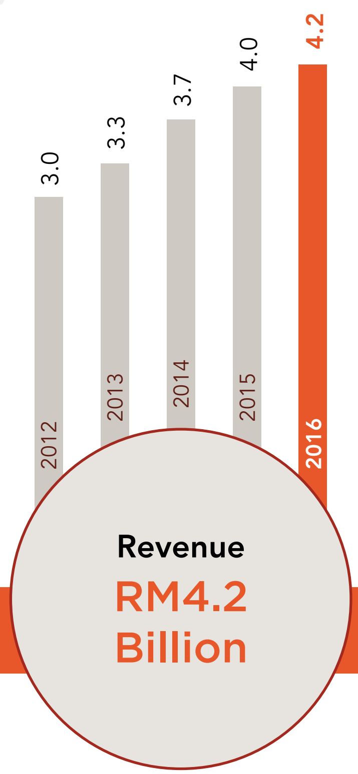
Current liabilities

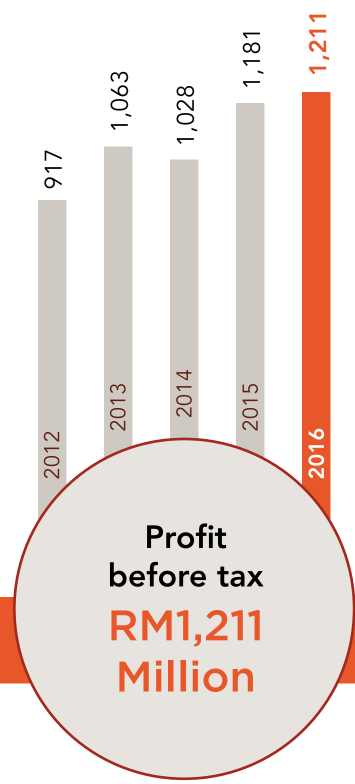
- Trade payables
- Short-term borrowings
- Other current liabilities

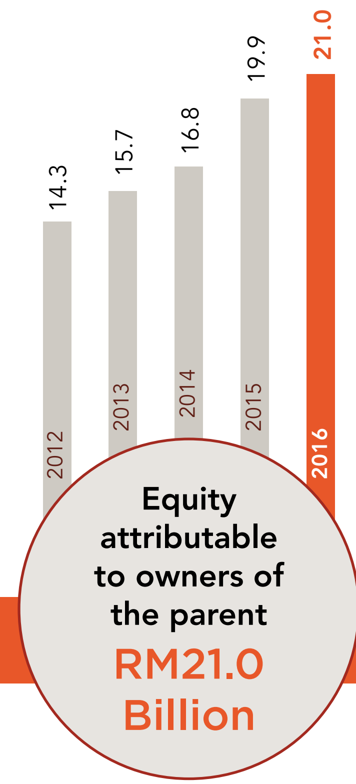
5-YEAR GROUP STATISTICS

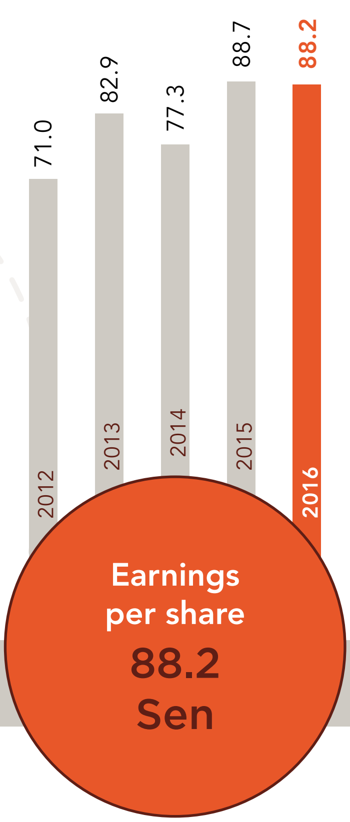
Year ended 31 December		2016	2015	2014	2013	2012
Revenue	RM Million	4,186	4,048	3,701	3,313	3,018
Share of net profits less losses of associates	RM Million	830	790	719	786	713
Profit before tax	RM Million	1,211	1,181	1,028	1,063	917
Profit for the year	RM Million	1,107	1,076	939	991	868
Net dividend for the financial year	RM Million	296	296	273	296	237
Issued share capital	RM Million	1,186	1,186	1,186	1,186	1,186
Equity attributable to owners of the parent	RM Million	20,973	19,917	16,820	15,653	14,271
Total equity and liabilities	RM Million	22,703	21,926	18,605	17,065	15,579
Earnings per share	Sen	88.15	88.68	77.33	82.88	71.04
PPB Share Price - Closing						
Year high	RM	16.86	16.20	16.68	16.14	17.72
Year low	RM	15.58	13.80	13.46	12.00	11.18
Year close	RM	15.86	15.90	14.30	16.14	11.60
No. of shareholders		9,073	9,236	9,868	10,242	11,817

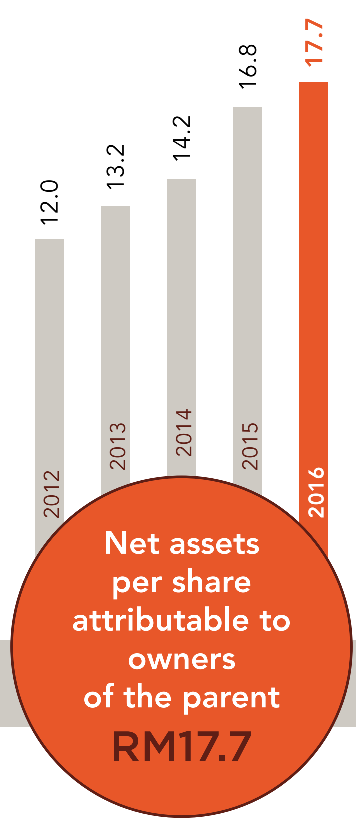
5-YEAR GROUP STATISTICS

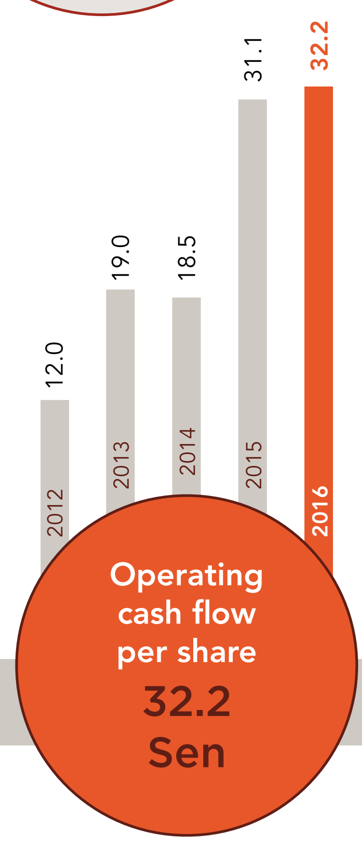












DIRECTORS' PROFILES

DIRECTORS' PROFILES

(from left to right)

ENCIK AHMAD RIZA BIN BASIR

DATUK ONG HUNG HOCK

MR LIM SOON HUAT

TAN SRI DATUK OH SIEW NAM

MADAM TAM CHIEW LIN

DATO' CAPT AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID

MR SOH CHIN TECK

TAN SRI DATUK OH SIEW NAM

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

DATE OF APPOINTMENT

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

AGE/GENDER

78/Male

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

Kuok Foundation Berhad

DIRECTORS' PROFILES

MR LIM SOON HUAT

Managing Director

Non-independent Executive Director

DATE OF APPOINTMENT

Director - 29 May 2008

Managing Director - 1 July 2012

AGE/GENDER

52/Male

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

Malaysian Bulk Carriers Berhad

Ponderosa Golf & Country Resort Berhad

DATO' CAPT AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID

Independent Non-executive Director

Chairman of Remuneration Committee

Member of Audit Committee

DATE OF APPOINTMENT

22 June 2009

AGE/GENDER

67/Male

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

Malaysian Bulk Carriers Berhad

GD Express Carrier Berhad

DATUK ONG HUNG HOCK

Non-independent Non-executive Director

Member of Nomination Committee

DATE OF APPOINTMENT

1 July 2012

AGE/GENDER

63/Male

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

FFM Berhad

DIRECTORS' PROFILES

MR SOH CHIN TECK

Independent Non-executive Director

Chairman of Audit Committee

Member of Nomination Committee

DATE OF APPOINTMENT

8 October 2012

AGE/GENDER

59/Male

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

Nil

ENCIK AHMAD RIZA BIN BASIR

Independent Non-executive Director

Chairman of Nomination Committee

DATE OF APPOINTMENT

25 July 2013

AGE/GENDER

56/Male

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

United Plantations Berhad

MADAM TAM CHIEW LIN

Non-independent Non-executive Director

Member of Audit Committee

Member of Remuneration Committee

DATE OF APPOINTMENT

25 July 2013

AGE/GENDER

66/Female

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 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

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

KEY SENIOR MANAGEMENT TEAM

MR LIM SOON HUAT
Please refer to page 40

DATUK ONG HUNG HOCK
Please refer to page 40

(from left to right)

MR LEONG YEW WENG

MS KOH MEI LEE

DATUK ONG HUNG HOCK

MR LIM SOON HUAT

MS LEONG CHOY YING

MR MAH TECK KEONG

MR CHEW HWEI YEOW

MR LEONG YEW WENG
Managing Director of Chemquest Sdn Bhd

YEAR OF JOINING PPB GROUP
1993

AGE/GENDER
57/Male

DATE APPOINTED TO THE KEY SENIOR MANAGEMENT POSITION
7 June 2005

QUALIFICATIONS AND EXPERIENCE
- 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 year 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.

DIRECTORSHIPS IN PUBLIC COMPANIES AND LISTED ISSUERS
PPB Group Berhad group

MS KOH MEI LEE
Chief Executive of Golden Screen Cinemas Group & Head of Corporate Affairs of PPB Group Berhad

YEAR OF JOINING PPB GROUP
1990

AGE/GENDER
51/Female

DATE APPOINTED TO THE KEY SENIOR MANAGEMENT POSITION
1 January 2002

QUALIFICATIONS AND EXPERIENCE
- 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.

DIRECTORSHIPS IN PUBLIC COMPANIES AND LISTED ISSUERS
PPB Group Berhad group

KEY SENIOR MANAGEMENT TEAM

MR CHEW HWEI YEOW

Chief Operating Officer (Properties) of PPB Group Berhad & Chief Operating Officer of PPB Property Development Sdn Bhd

YEAR OF JOINING PPB GROUP

2013

AGE/GENDER

54/Male

DATE APPOINTED TO THE KEY SENIOR MANAGEMENT POSITION

13 March 2013

QUALIFICATIONS AND EXPERIENCE

- Bachelor of Engineering, University of Adelaide, South Australia.
- Experience in diverse industries namely, trading, property, hotel and construction prior to joining PPB Group.

DIRECTORSHIPS IN PUBLIC COMPANIES AND LISTED ISSUERS

PPB Group Berhad group

MS LEONG CHOY YING

Chief Financial Officer of PPB Group Berhad

YEAR OF JOINING PPB GROUP

2004

AGE/GENDER

51/Female

DATE APPOINTED TO THE KEY SENIOR MANAGEMENT POSITION

1 October 2004

QUALIFICATIONS AND EXPERIENCE

- Fellow of the Institute of Chartered Accountants in England and Wales.
- Member of the Malaysian Institute of Accountants.
- Member of the Chartered Institute of Tax Malaysia.
- Bachelor of Arts (Honours) degree in Business Studies from the University of the West of England, Bristol.
- Worked in the auditing, merchant banking, stockbroking sectors and a public listed company prior to joining PPB.

DIRECTORSHIPS IN PUBLIC COMPANIES AND LISTED ISSUERS

PPB Group Berhad group

MR MAH TECK KEONG

Company Secretary of PPB Group Berhad

YEAR OF JOINING PPB GROUP

1989

AGE/GENDER

54/Male

DATE APPOINTED TO THE KEY SENIOR MANAGEMENT POSITION

27 November 2008

QUALIFICATIONS AND EXPERIENCE

- Associate member of The Malaysian Institute of Chartered Secretaries and Administrators.
- Oversees the corporate secretarial matters of PPB various subsidiaries and other affiliated companies.

DIRECTORSHIPS IN PUBLIC COMPANIES AND LISTED ISSUERS

PPB Group Berhad group

NOTES

1. All the members of the key management team are Malaysians.
2. None of the members of the key management team has any relationship with any director and/or major shareholder of PPB, nor any conflict of interest with the Company.
3. Other than traffic offences, none of the members of the key 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk Oh Siew Nam
Chairman
Non-independent Non-executive Director

Mr Lim Soon Huat
Managing 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

Datuk Ong Hung Hock
Non-independent Non-executive Director

Madam Tam Chiew Lin
Non-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
CIMB Bank 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 : MYL4065OO008
Reuters Code : PEPT.KL

GROUP CORPORATE STRUCTURE

As At 31 March 2017

PPB GROUP BERHAD

GRAINS & AGRIBUSINESS

Investment holding, grains trading, flour and feed milling
- FFM Berhad — 80 %
  - *Flour milling*
    - 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 %
  - *Animal feed milling*
    - Johor Bahru Flour Mill Sdn Bhd — 100 %
    - FFM Grains & Mills Sdn Bhd — 100 %
    - FFM (Sabah) Sdn Bhd — 100 %
    - FFM Feedmills (Sarawak) Sdn Bhd — 100 %
  - *Livestock farming*
    - FFM Farms Sdn Bhd — 100 %
  - *Investment holding*
    - Waikari Sdn Bhd — 100 %
      - *Flour milling*
        - 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

Consumer products distribution
- FFM Marketing Sdn Bhd — 100 %

Bakery
- The Italian Baker Sdn Bhd — 100 %

Contract manufacturing
- Products Manufacturing Sdn Bhd — 70 %

Food processing
- Kart Food Industries Sdn Bhd — 45 %
- FFM Further Processing Sdn Bhd — 30 %

ENVIRONMENTAL ENGINEERING & UTILITIES

Waste management and environmental engineering
- CWM Group Sdn Bhd — 100 %
  - *Environmental engineering and utilities*
    - Cipta Wawasan Maju Engineering Sdn Bhd — 100 %
  - *Waste management*
    - Sitamas Environmental Systems Sdn Bhd — 70 %
    - Worldwide Landfills Sdn Bhd — 40 %

Investment holding
- Chemquest (Overseas) Limited — 100 %
  - Beijing KVW Wastewater Technology Company Ltd — 51 %
    - *Utilities*
      - Beijing Drainage Group Co Ltd Veolia Kerry Wastewater Treatment Plant — 42 %

GROUP CORPORATE STRUCTURE

As At 31 March 2017

FILM EXHIBITION & DISTRIBUTION

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

INVESTMENTS & OTHER OPERATIONS

Investment holding & trading
- Chemquest Sdn Bhd — 55 %
  - *Chemicals manufacturing*
    Malayan Adhesives & Chemicals Sdn Bhd — 99.6 %

Investment holding
- Masuma Trading Company Limited — 100 %

Trading of polybags
- Tego Sdn Bhd — 79.9 %

IT services
- Easi (M) Sdn Bhd — 60 %
- Easi Ticketing Sdn Bhd — 100 %

Integrated agribusiness
- Wilmar International Limited — 18.6 %

PROPERTY

Project and property management, and marketing services
- PPB Property Development Sdn Bhd — 100 %

Property development
- PPB Hartabina Sdn Bhd — 100 %
  - *Investment holding*
    South Island Mining Company Sdn Bhd — 100 %
    - *Property development*
      Seletar Sdn Bhd — 100 %

Property investment
- Cathay Screen Cinemas Sdn Bhd — 100 %
- Shaw Brothers (M) Sdn Bhd — 34 %

Investment holding
- Huge Quest Realty Sdn Bhd — 40 %
  - *Property development*
    Southern Marina Development Sdn Bhd — 70 %

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.

CORPORATE GOVERNANCE STATEMENT

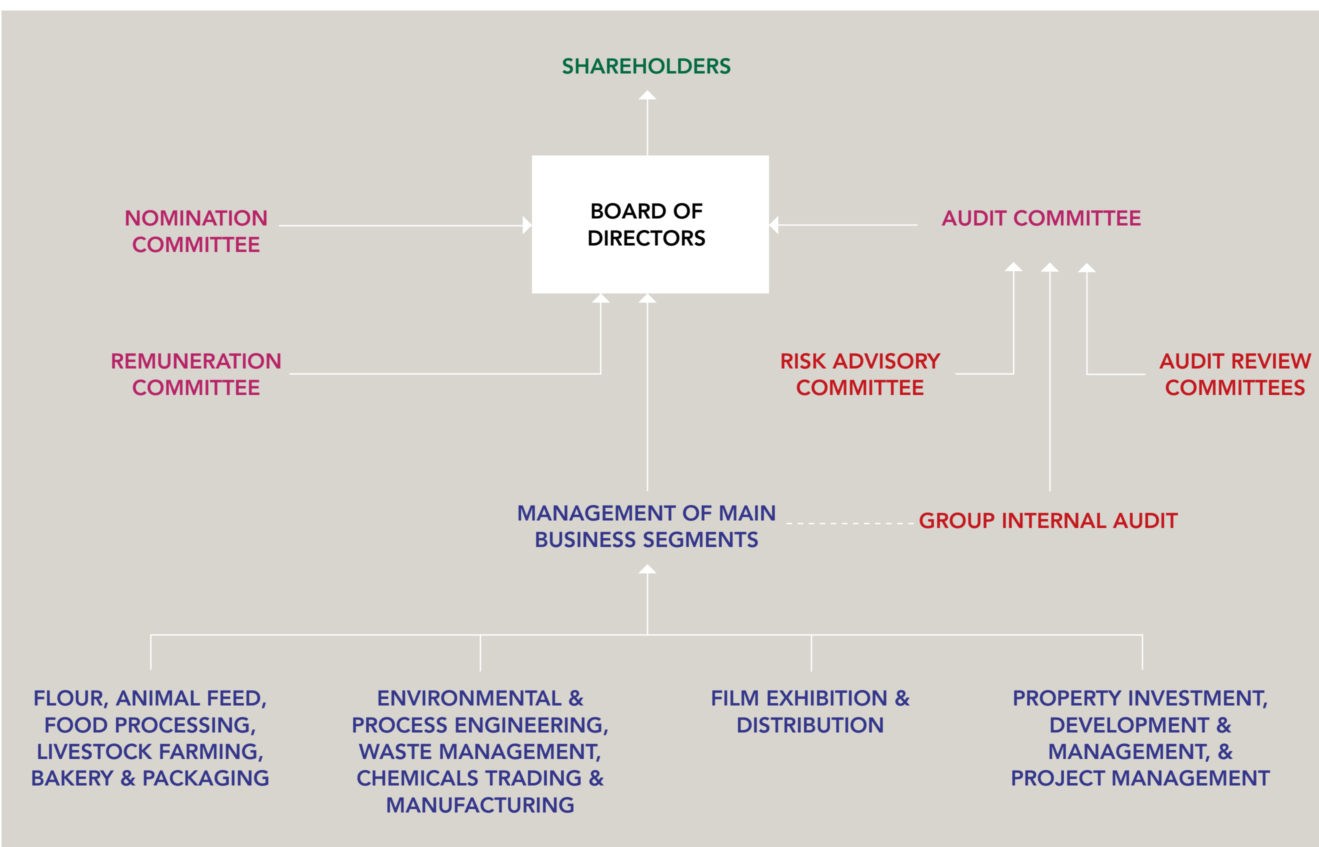
The Board of Directors of PPB Group Berhad is committed to maintaining a high standard of corporate governance and ensuring that effective self-regulatory controls exist throughout PPB and its subsidiaries ("the Group") to safeguard the Group's assets. The Board recognises that good corporate governance encompasses four key areas namely transparency, accountability, integrity and corporate performance.

This statement describes the manner in which PPB has applied the corporate governance principles and extent of compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG").

The statement outlines the Group's main corporate governance practices and policies in place during the financial year and at the date of this statement, through discussion of :

i. Clear roles and responsibilities;
ii. Strengthen composition;
iii. Reinforce independence;
iv. Foster commitment;
v. Uphold integrity in financial reporting;
vi. Recognise and manage risks;
vii. Ensure timely and high quality disclosure; and
viii. Strengthen relationship between Company and shareholders.

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE STATEMENT

CLEAR ROLES AND RESPONSIBILITIES

BOARD RESPONSIBILITIES AND DUTIES

The Board is responsible for the overall performance and effective control of PPB Group, as well as setting and reviewing the strategic direction of the Group and monitoring the implementation by management of that strategy including :

- Approving the strategic direction of the Group;
- Overseeing the conduct of the Group's businesses;
- Overseeing allocation of Group resources and monitoring the financial performance of the Group;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Monitoring and reviewing the Group's risk management system and internal control; and
- Overseeing the development of an investor relations policy for the Company for effective communication with shareholders.

The Board has delegated specific responsibilities to three Board committees, namely the Audit, Nomination and Remuneration Committees, which operate within approved terms of reference. These committees have authority to examine particular issues and report to the Board with their findings/ recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

BOARD CHARTER

An updated board charter adopted in 2014 sets out matters reserved for the Board's decision and outlines the Board's roles and responsibilities. Together with the Group's strategic plan, the charter also serves as a source of reference and primary induction literature, providing insights to new Board members. The charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations which may impact the discharge of the Board's responsibilities.

The Group's strategic plan covers the four main business segments, and its aims are to :

- align the Group's business activities towards the achievement of its vision and objectives;
- provide a framework within which the businesses can operate and develop;
- help management monitor and actualise investments, project development plans and prospects; and
- facilitate discussion with stakeholders on the companies' businesses.

The strategic plan is regularly reviewed and updated to reflect changes related to the Group's environmental influences, opportunities and concerns.

There is a schedule of matters specifically for the Board's decision, including amongst others, the overall Group strategy and direction, approval of financial results, corporate plans and budgets, material acquisitions and disposals of assets, and major investments. This ensures that the governance of the Group is in the Board's hands. A Group-wide code of ethics and code of conduct, including a whistleblower policy has been adopted, and being incorporated in employee handbooks. The code of conduct sets out the minimum standards of conduct and personal behaviour to maintain a uniform set of values and ethics within the Group. The whistleblower policy is designed to enable employees to raise concerns without fear of retribution as well as to provide a transparent and confidential process for dealing with concerns.

The Chairman represents the Board to shareholders and together with the Board, reviews and approves the strategic objectives and policies of the Group. The Chairman also ensures that management proposals are deliberated by Directors taking into account the interests of shareholders and other stakeholders.

CORPORATE GOVERNANCE STATEMENT

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. His other responsibilities include pursuing growth in the Group's operational and financial performance, ensuring that appropriate risk management and compliance procedures are in place, and overseeing human capital management. The independent non-executive Directors provide a balance of power and authority on the Board, with unbiased and independent views to safeguard the Company's interests.

BOARD COMPOSITION

There are seven Directors on the Board, comprising six non-executive Directors, of whom three are independent, and the Managing Director.

Recommendation 3.5 of MCCG states that where the Chairman of the Board is not an independent Director, the board must comprise a majority of independent directors. Although PPB has departed from Recommendation 3.5, the Board believes that the interests of the Company and its shareholders can be served by a Chairman and a team of Board members who act collectively in the overall interest of the Company and shareholders.

Collectively, the Directors bring to the Board a range of business, experience, financial and technical expertise for effective oversight of the Group's diversified businesses, and to fulfill the Board's duties and responsibilities. The Directors' profiles are presented on pages 38 to 41 of this Annual Report.

There is no formal board or management succession policy in the Company. The Group recognises the importance of identifying and developing potential leaders and managers to fill key positions in the Group, from both internal and external sources. This is an on-going process applicable not only at the board but at other levels, based on the Group's long and short term needs in terms of skills, expertise, knowledge and experience.

ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, Directors who are appointed by the Board are subject to election by shareholders at the next annual general meeting following their appointment. The Articles also provide that one third of the Board including the Managing Director shall be subject to re-election annually and each Director shall stand for re-election at least once every three years.

BOARD COMMITTEES

The three Board Committees assist the Board in its oversight functions. The functions of the Committees are governed by their respective terms of reference, which are reviewed periodically to ensure that they are relevant and up-to-date. The three Board Committees are as follows :

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Committees submit reports of their respective deliberations and recommendations to the Board. Their deliberations and recommendations are minuted, and confirmed by the respective Committees.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

All three members of the Audit Committee ("AC") are non-executive Directors, of whom two are independent. They are Mr Soh Chin Teck (Chairman), Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid (both Independent) and Madam Tam Chiew Lin.

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 effectiveness of the Group's enterprise-wide risk management and internal control framework.

A description of the AC's activities during the year are set out in the Audit Committee Report on pages 59 to 62 of the Annual Report. The terms of reference of the AC can be viewed on PPB's website at www.ppbgroup.com.

Nomination Committee

The Nomination Committee ("NC") comprises entirely of three non-executive Directors of whom two are independent. They are Encik Ahmad Riza bin Basir (Chairman), Datuk Ong Hung Hock and Mr Soh Chin Teck.

The activities of the NC in respect of the year 2016 included the following :

- Reviewed the structure, size and composition of the Board.
- Reviewed the required mix of knowledge, expertise, experience and other qualities of the Directors necessary to carry out their duties and responsibilities.
- Assessed the effectiveness of the Board as a whole, the committees of the Board and the performance and contribution of the Directors. The NC's assessment was based on a board performance self-assessment form completed by the Directors.
- Reviewed the term of office and performance of the Audit Committee and its members.
- Recommended to the Board candidates for re-election and re-appointment by shareholders.

Decisions on Board appointments are made by the Board after considering the Committee's assessment of the candidate and recommendation thereon. The criteria for the evaluation of candidates for appointment as Directors include their qualification, occupation, experience, other directorships, and the Company's requirements. The NC held two meetings during the financial year ended 31 December 2016.

Remuneration Committee

The members of the Remuneration Committee ("RC") are Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid (Chairman, and independent Director), Tan Sri Datuk Oh Siew Nam and Madam Tam Chiew Lin. The RC held two meetings during the financial year ended 31 December 2016.

The principal functions of the RC during the year were as follows :

- Reviewed the remuneration packages of executive Directors which reflect market rates, sustained individual performance, job responsibilities and the Group's performance.
- Recommended the executive Directors' remuneration based on their performance and in line with corporate objectives.

CORPORATE GOVERNANCE STATEMENT

BOARD MEETINGS

The Board meets at least five times a year, with additional meetings held if required or when decisions on urgent matters are required between scheduled meetings.

During the year ended 31 December 2016, the Board met six 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	6	100
Lim Soon Huat	6	100
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	6	100
Datuk Ong Hung Hock	6	100
Soh Chin Teck	6	100
Ahmad Riza bin Basir	6	100
Tam Chiew Lin	6	100

SUPPLY OF INFORMATION

The Chairman plays a key role to ensure that Directors have full and timely access to information. The agenda and board papers are issued in sufficient time prior to Board meetings to enable Directors to appreciate the issues to be deliberated upon and where necessary, obtain further explanation. The Board papers include updates on financial, operational and corporate developments of the Group. Directors are briefed at each Board Meeting on the Group's activities and operations by the chief executives of the principal subsidiaries.

In exercising their duties, Directors have access to information within the Company and to the advice and services of the Company Secretary. The Company Secretary also updates Directors on statutory and regulatory requirements relating to the discharge of their duties and responsibilities. Directors can seek professional advice if necessary from external consultants and advisers. The Company Secretary's qualifications and experience are set out on page 44 of the Annual Report.

STRENGTHEN COMPOSITION

The Board strives to achieve a balance of skills, experience, diversity and perspective amongst its Directors. A review of the size and composition of the Board is conducted annually, including the required mix of skills, competencies and experience relevant to the PPB Group businesses. The Board's performance is assessed every year, including an assessment of the independent Directors. The Board assessment was carried out under the following main categories :

- Board composition
- Board roles and responsibilities
- Board meeting procedures
- Effectiveness of the board committees
- Assessment of independent directors

CORPORATE GOVERNANCE STATEMENT

For the year under review, the Board is satisfied with the existing number and composition of its members and is of the view that the Board is able to discharge its duties and responsibilities effectively with the current mix of skills, knowledge, experience and strengths. The Company does not at present have formal policies on independent directors, gender, ethnicity or age. The Board is of the opinion that it is important to recruit and retain the best available talent to optimise the effectiveness of the board and senior management; taking into account the mix of skills, experience, knowledge and independence, and based on the Group's needs and circumstances.

DIRECTORS' 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 executive Directors' remuneration is structured to link rewards to corporate and individual performance. For non-executive Directors, the level of remuneration reflects their responsibilities. The determination of the non-executive Directors' remuneration is a matter for the Board as a whole subject to shareholders' approval. The Directors are not involved in the approval of their own remuneration package.

The details of the Directors' remuneration on a Group and Company basis for the financial year ended 31 December 2016 are as follows :

Figures in RM'000	Executive Director		Non-executive Directors	
	Group	Company	Group	Company
Salary	882	882	984	-
Fees	22	-	885	880
Meeting allowances	1	1	71	71
Bonus	1,300	1,300	1,400	-
Benefits-in-kind	36	36	71	27
Employees Provident Fund	350	350	143	-
Total	**2,591**	**2,569**	**3,554**	**978**

The aggregate remuneration of Directors on a Group and Company basis analysed into the appropriate RM50,000 bands is as follows :

	Executive Director		Non-executive Directors	
	Group	Company	Group	Company
RM50,000 – RM100,000	-	-	3	4
RM100,001 – RM150,000	-	-	1	1
RM500,000 – RM550,000	-	-	1	1
RM2,550,000 – RM2,600,000	1	1	-	-
RM2,600,001 – RM2,650,000	-	-	1	-

Note: Successive bands of RM50,000 are not shown in entirety as they are not represented.

CORPORATE GOVERNANCE STATEMENT

REINFORCE INDEPENDENCE

The Board considers the importance of significant representation by Directors who make decisions in the best interest of the Company free from conflicts of interest and influences, and are also independent of management. Independent Directors must be able to exercise their duties and express their views unfettered by familiarity, or business or other relationships.

PPB Board currently consists of three independent non-executive Directors, which is in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") which requires at least one third of the Board to comprise independent directors. The independence criteria observed by the Company broadly encapsulate independence from management and absence of conflicting business relationships which could interfere with the independent Director's judgement and contribution to Board deliberations, or interfere with the Director's ability to act in the best interest of the Company. The criteria for independence set out in the MMLR also form the basis for evaluation of independence.

The independent non-executive Directors are persons of calibre and integrity who provide skills, competencies as well as broader views to enhance Board effectiveness. The Board has appointed Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid as the Senior Independent Non-executive Director of the Board to whom concerns of the Group may be conveyed.

CONFLICT OF INTEREST

Over and above the matter of independence, each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transaction, or matter which comes before the Board. Such a situation may arise from external associations, interests or personal relationships. Directors are required to disclose any interest in a transaction, and abstain from deliberations and decisions of the Board on the subject.

FOSTER COMMITMENT

COMMITMENT BY THE BOARD

Directors are expected to commit sufficient time to carry out their responsibilities. Nominees for appointment as Directors disclose to the Nomination Committee and Board details of their working, business and other interests. In line with the MMLR, all Directors of PPB comply with the limits on directorships in other listed companies.

DIRECTORS' TRAINING

There is a familiarisation programme for new Board members including, where appropriate, visits to the Group's businesses and meetings with senior management to facilitate their understanding of the Group's businesses and operations.

The Directors have access to continuing educational or training courses and seminars to keep abreast with market and regulatory developments. All Directors attended an in-house training session for directors and senior management held in 2016. The topics selected were relevant to the needs of the Group and the Directors, and included the following :

- Update on the Malaysian and regional economies
- Sustainability practices and reporting
- The Companies Bill 2015

CORPORATE GOVERNANCE STATEMENT

In addition, Directors also attended other training sessions during the year as follows :

Name of Director	Title/Subject
Mr Soh Chin Teck	• Audit Committee Conference 2016 – Setting the right tone • Tea Talk : Audit management • Enhancing audit quality in the public interest • MIA-MICG Roundtable discussion on proposed draft of the Malaysian Code of Corporate Governance 2016 • Financials hidden in plain sight : Why directors and management need to ask hard questions • Awareness workshop on the Competition Act 2010 • Future of auditor reporting – The game changer for boardroom • Overview on formation of contract, PAM 2006 and CIPAA • Technical updates on MFRS/IFRS 2016 • Corporate governance breakfast series : The cyber security threat and how boards should mitigate the risks • Evolving role of audit committee in governance, risk and control
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	• Awareness workshop on the Competition Act 2010 • Overview on formation of contract, PAM 2006 and CIPAA • Best practices for sustainability reporting – What a company director needs to know
Madam Tam Chiew Lin	• Audit Committee Conference 2016 – Setting the right tone • Stewardship matters – For long term sustainability • Financials hidden in plain sight : Why directors and management need to ask hard questions • Overview on formation of contract, PAM 2006 and CIPAA • Leadership excellence from the chair • Technical updates on MFRS/IFRS 2016 • Future financial conference • Corporate governance breakfast series : The cyber security threat and how boards should mitigate the risks • Corporate governance breakfast series : Anti-corruption & integrity – Foundation of corporate sustainability
Encik Ahmad Riza bin Basir	• Financials hidden in plain sight : Why directors and management need to ask hard questions • Sustainability engagement series – Customised programmes for directors/chief executive officer of listed issuers • Nominating Committee Programme Part 2 : Effective board evaluations

CORPORATE GOVERNANCE STATEMENT

UPHOLD INTEGRITY IN FINANCIAL REPORTING

FINANCIAL REPORTING

The Board strives to provide a balanced and fair assessment of the Group's financial performance and prospects via the audited financial statements and quarterly financial reports as well as through disclosures in accordance with the MMLR.

The Board is assisted by the Audit Committee to oversee the integrity of the Group's financial reporting and as part of this role, the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes comply with applicable financial reporting standards. For the year under review, two sessions were held between the Audit Committee and the external auditors in the absence of management as part of the Company's practice for greater exchange of views in relation to the financial reporting and auditing process.

RECOGNISE AND MANAGE RISKS

INTERNAL CONTROL

The ultimate 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 as well as to safeguard the Group's assets.

The Statement on Risk Management and Internal Control set out on pages 63 and 64 of this Annual Report provides an overview of the state of risk management and internal controls within PPB Group.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

PPB seeks to release price-sensitive information to Bursa Securities in a timely manner as required under the MMLR, and to the market and community generally through media releases, the website and appropriate channels.

The Company's Corporate Disclosure Policy sets out the disclosure policies and procedures in accordance with the spirit, intention and purpose of the applicable regulatory requirements and obligations prescribed by the MMLR. The policy may be viewed at the Company's website.

INSIDER TRADING

Directors and senior management of PPB are prohibited from dealing in securities if they have knowledge of any price-sensitive information which has not been publicly disclosed in accordance with the MMLR and the relevant regulatory provisions. Prior notification of closed periods for dealing in PPB's securities is circulated to Directors and senior management deemed to be privy to price-sensitive information.

CORPORATE GOVERNANCE STATEMENT

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company endeavours to provide shareholders, the investing community, the media and other stakeholders with accurate, clear, timely and equal access to material information pertaining to the Company's performance and operations.

The Corporate Disclosure Policy provides a framework for the Board, management and relevant staff to communicate effectively with stakeholders and the public generally. The policy encompasses the following objectives :

- raise awareness and provide guidance to the Board and employees of PPB Group on the Company's disclosure obligations and practices;
- provide policies and guidelines in disseminating information to, and in dealing with shareholders, financial analysts, the media, regulators, the investing community and other stakeholders;
- ensure compliance with applicable legal and regulatory requirements on disclosure of material information; and
- build good relations with the investing community to foster trust and confidence.

INVESTOR RELATIONS PROGRAMME

PPB has an active investor relations programme 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. The investor relations programme focuses on transparency of disclosure and timely dissemination of information.

a. Sources of information

The principal sources of information disseminated by the Company during the year include :

- PPB's Annual Report aims to give readers a comprehensive picture of the Group's businesses and performance for the financial year under review, and provides an overview of the Group's main operations.
- Quarterly Investor Updates designed as e-newsletters are posted on the company website. The Updates contain financial results, reports and articles on the Group's operations as well as significant events during the quarter under review.
- News releases to announce financial results and important events relating to the Group via the local media and company website.
- The Company's website, www.ppbgroup.com where information on the Group, its businesses, financial data, annual reports, and the Investor Updates can be easily downloaded.

b. Direct meetings

PPB's policy is to maintain an active dialogue with shareholders with the objective of giving a clearer picture of the Company's performance. At annual general meetings, shareholders can express their views or raise questions in relation to the Group's financial performance and business operations. Members of the Board as well as the auditors of the Company are present to answer questions raised at the meeting.

The Company conducts analyst briefings twice a year after the half-yearly and final results are released to Bursa Securities to provide regular dialogues between senior management and the investing community. Media conferences are also held together with these briefings for consistent dissemination of information to the public. At these events, the Managing Director of PPB and chief executives of the principal subsidiaries are present to address questions on the Group's businesses.

CORPORATE GOVERNANCE STATEMENT

At other times, the Company makes every attempt to meet requests for meetings or information from the investing community.

While the Company endeavours to provide as much information as practicable, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

c. Queries and feedback

PPB welcomes inquiries and feedback from shareholders and the investing community. The Corporate Affairs Department of the Company provides investors with a channel of communication through which they can provide feedback to the Company.

Queries and concerns regarding PPB Group may be conveyed to the following persons :

1. Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid, Senior Independent Non-executive Director
   Telephone number : 03-27260088
   Facsimile number : 03-27260099

2. Ms Koh Mei Lee, Head of Corporate Affairs
   Telephone number : 03-27260088
   Facsimile number : 03-27260198
   Email address : corporateaffairs@ppb.com.my

Tan Sri Datuk Oh Siew Nam
Chairman

Soh Chin Teck
Independent Non-executive Director

23 March 2017

AUDIT COMMITTEE REPORT

COMPOSITION

The members of the Audit Committee ("AC") during the financial year ended ("FYE") 31 December 2016 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	Non-independent Non-executive

MEETINGS

The number of AC meetings held in FYE 31 December 2016 and details of attendance of each committee member are as follows :

	No. of Audit Committee meetings	
Name of AC member	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 2016, the AC performed the duties specified in its terms of reference as follows :

FINANCIAL REPORTING

1. The AC reviewed the PPB Group Berhad ("PPB") quarterly results. The finance heads of the main subsidiary business units presented their respective quarterly financial results, followed by PPB's Chief Financial Officer ("CFO") who presented the consolidated results. The AC sought their explanation on significant financial and/or operational matters, including any unusual variances/events.

2. The AC reviewed with the CFO and the external auditors, Mazars, their audit completion presentation on the 2016 group financial statements. The following were highlighted :
   a) Key audit areas and their findings
   b) Observations and recommendations
   c) Key audit matters ("KAM") pursuant to International Standard on Auditing 701

   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 their independent auditors' report for FYE 2016 :
   - goodwill
   - investment in associates

AUDIT COMMITTEE REPORT

3. The AC reviewed with the CFO the financial statements of PPB and its subsidiaries ("Group") for FYE 2016 and the following were highlighted :
   a) The audited consolidated financial results
   b) Relevant amended Malaysian Financial Reporting Standards ("MFRS")
   c) Significant accounting matters
   d) Matters relating to management judgements and estimates
   e) Financial risk management objectives and policies

   The AC sought explanation on significant financial and accounting matters, any unusual variances, matters relating to management judgements, and financial risk management.

EXTERNAL AUDIT

4. The AC reviewed with Mazars the FYE 2016 audit plan which included the following :
   - Mazars' engagement team and terms of engagement;
   - Mazars' audit scope and an overview of Mazars' risk-based audit approach;
   - Latest amendments to the Bursa Malaysia Securities Berhad Listing Requirements ("BSLR") to strengthen the framework for disclosure and exercise of shareholders' rights;
   - Recent developments of the new and amended MFRS;
   - The Group key audit areas and audit time-table for 2016;
   - Mazars' independence policies and procedures; and
   - Discussion with directors and management on fraud.

5. The AC met with Mazars on 27 February 2017, without the presence of management. At the meeting 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 2016.

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 and the CFO. Mazars' statement on their independence as set out in their 2016 Audit Plan was also reviewed. Thereafter, the AC recommended Mazars to be nominated for re-appointment as auditors for the ensuing year.

7. At the AC meeting held on 27 February 2017, Mazars reported that they had substantially completed the Group audit for FYE 2016 with no major issues encountered and that they would be issuing an unqualified audit report on the consolidated financial statements.

8. The AC reviewed with Mazars the results of their evaluation of Group's system of internal control as set out in their 2016 Audit Completion Report which included Mazars' suggested improvements to certain subsidiaries' IT security access controls and IT disaster recovery plans.

INTERNAL AUDIT

9. 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 ARC meetings to facilitate discussions and provide further explanation, feedback, updates and action plans on internal audit issues raised. AC members may attend selected ARC meetings to seek explanations or participate in deliberations between management and ARC members.

AUDIT COMMITTEE REPORT

10. Significant audit issues raised in ARC meetings are further discussed at AC meetings and where necessary, the chief executives of the subsidiaries are invited to attend AC meetings to provide further information and explanation.

11. The AC reviewed the findings of PPB Internal Audit Department ("PPBIAD") reports and noted the discussions at ARC meetings. The CFO ensures prompt follow-up on key outstanding audit issues not resolved at ARC meetings.

12. The AC reviewed and approved PPBIAD's 2016 audit plan, scope and audit approach which is guided by the risk-based assessment approved by the AC.

13. At the November 2016 AC meeting, 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

14. 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 all RRPTs.

15. The AC reviewed RPT issues including any COI situations as and when highlighted in internal audit reports.

16. The AC noted the RPTs and RRPTs entered into by the Group in FYE 2016.

RISK MANAGEMENT

17. 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 Group
    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

18. The AC reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control for inclusion in the 2016 annual report.

19. During the year, members of the AC visited the following PPB Group operations :

Entity/Location	Business activity
Johor Bahru Flour Mill Sdn Bhd – Kota Kinabalu branch	Flour milling
FFM (Sabah) Sdn Bhd – Kota Kinabalu	Manufacturing and trading of animal feed

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 is independent of the activities which it audits.

The total cost incurred by PPBIAD for the internal audit function of the Group for FYE 31 December 2016 was about RM2.0 million.

AUDIT COMMITTEE REPORT

SUMMARY OF THE WORK OF PPBIAD

The activities and processes of PPBIAD are guided by its charter and 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.

During FYE 31 December 2016, 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 Malaysian Code on Corporate Governance 2012.

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. attended 10 quarterly ARC meetings held in 2016 to discuss PPBIAD audit reports.

8. the Head of Internal Audit met on a one-to-one basis with the AC Chairman on 10 occasions in 2016 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. the PPBIAD head count as at 31 December 2016 was 12. All the internal auditors have at least a relevant tertiary education.

11. staff 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 series of in-house English classes to improve PPBIAD report-writing 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

22 March 2017

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The 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 system of risk management and internal control 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 an effective 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 its employees have been communicated to them via the employee handbook or letters of appointment.

2. Risk management

A formal Group-wide enterprise risk management (ERM) system 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 has been 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 main 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 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 the 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;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- 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 in phases, which will assist risk owners to assess the risk ratings and the need for further management action plans to mitigate the risks if the KRIs were to indicate an adverse trend; and
- On-going risk management education and training is provided at management and staff levels.

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.

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 failing 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 2017

SUSTAINABILITY STATEMENT

PPB GROUP BERHAD

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY JOURNEY

Working with respect for people and our planet is the only way to ensure the long-term success and sustainability of our businesses. Progressively, our focus on corporate responsibility must become more strategic so that we can continue building value for all stakeholders – our customers and investors, our employees and business partners, and the communities in which we operate.

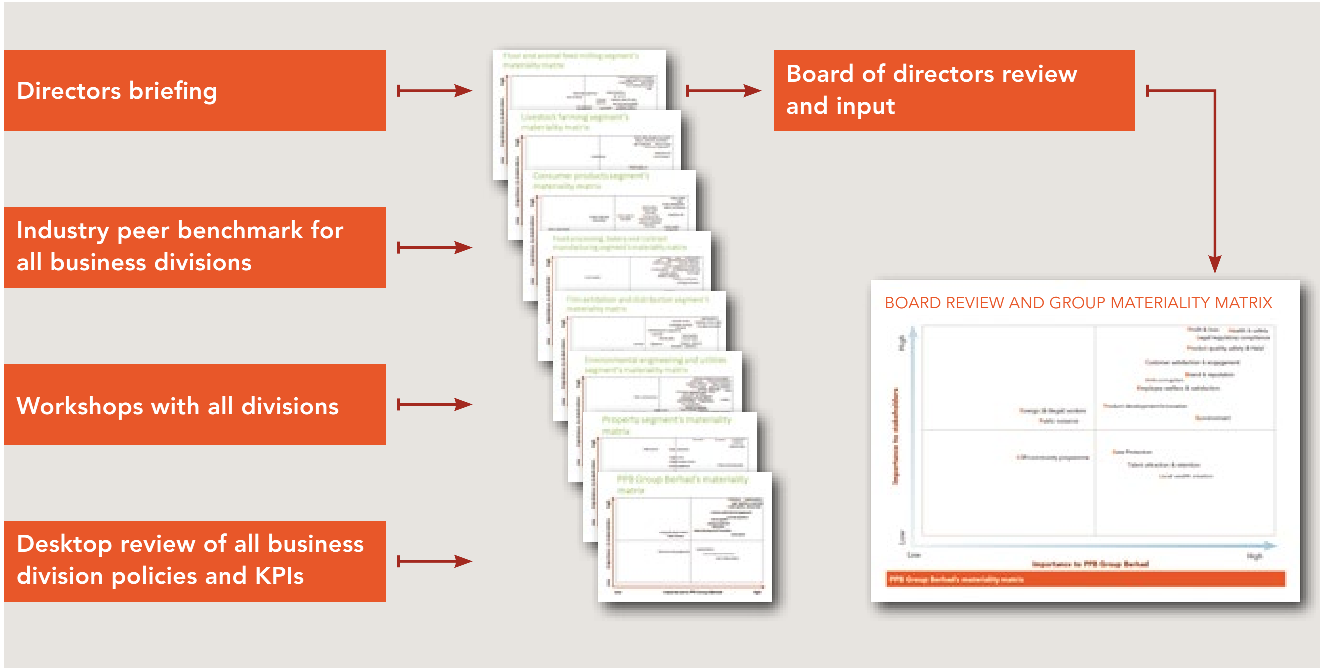
Sustainability reporting is a developing field where best practices are always evolving to address new stakeholder demands. Investors, for example, are increasingly factoring non-financial benchmarks into their decision-making processes, and stock market regulators are responding accordingly. In 2015, Bursa Malaysia joined the growing number of stock exchanges that require listed companies to publish a statement of their material economic, environmental and social performance in their annual reports.

Good reporting practices are available for many industries, but the diversity of PPB's business activities makes a one-size-fits-all framework unsuitable. We require a bespoke process that ensures that material issues are appropriately mapped at business division level and consolidated so we can better understand Group-level risks and opportunities. We therefore initiated a process in 2016 whereby our Malaysian operations from our main segments – *Grains & Agribusiness, Consumer Products, Film Exhibition & Distribution, Environmental Engineering & Utilities and Property* – began collecting data on sustainability parameters defined by international reporting guidelines and frameworks, such as the Global Reporting Initiative (GRI).

The Italian Baker's baking plant in Pulau Indah.

This Sustainability Statement is the first output of this process, and for this reporting year includes the operations of our Malaysian subsidiaries only. We expect to incorporate our non-Malaysian operations in the near future. This statement describes our performance on key non-financial metrics, highlights areas where our sustainability management and processes can be strengthened and provides a basis on which we can continually improve our reporting to better meet the expectations of our stakeholders.

SUSTAINABILITY STATEMENT



Our first step was to learn more about what sustainability actually means in our business segments. To ensure alignment with best practices and secure an external assessment of our performance, we engaged third party sustainability experts with experience in the Malaysian context to facilitate the process.

BENCHMARKING AGAINST PEERS

A detailed benchmarking exercise was organised to identify broad trends and specific issues in each segment where PPB and its subsidiaries (hereinafter referred to as "PPB Group" or "Group") operate. Best practices implemented by our peers in Malaysia, as well as by Asian and global sustainability leaders, were also highlighted. For this exercise we defined peers as companies in similar industries to those in which our divisions operate. PPB's public disclosures were compared with disclosures made by peers using a framework based on typical stakeholder requirements and international reporting standards, including the GRI and investor-led benchmarks, such as FTSE4Good and the Dow Jones Sustainability Index.

MAPPING DISCLOSURE GAPS AGAINST PERFORMANCE

PPB had not previously been subject to sustainability disclosure requirements, and our current Group disclosures could be more comprehensive to reflect our sustainability performance and initiatives at division level. We therefore began collecting initial input from all business divisions, including sustainability-related policies, key performance indicators (KPIs) and available data. This enabled us to identify areas where we could expand and improve our disclosures.

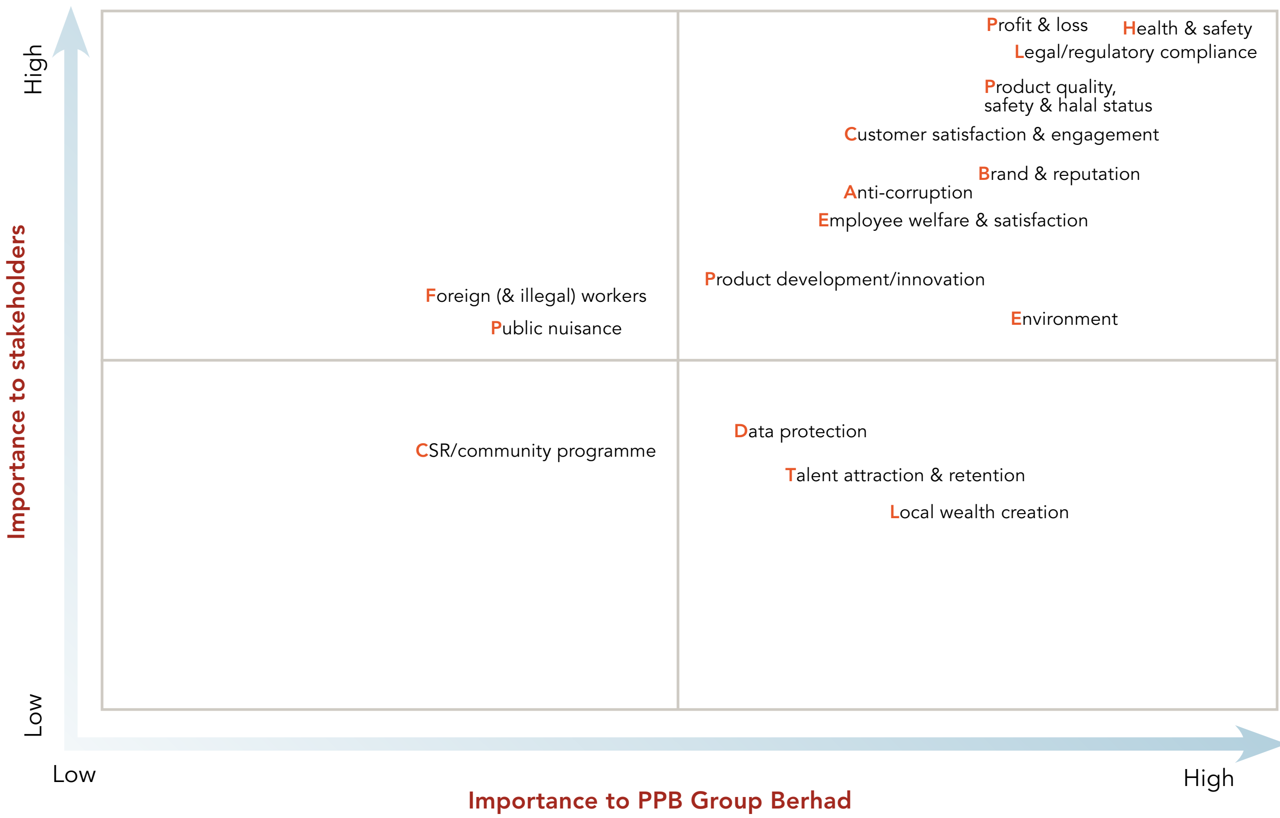
IDENTIFYING MATERIAL ISSUES AT BUSINESS DIVISION LEVEL

Our next step was to organise six workshops across our Klang Valley operations to identify specific material issues in each business division. Between 15 to 40 key staff and managers participated in each workshop. To familiarise participants with best practices in their segments, the benchmark findings were presented alongside our consultant's view on current PPB Group disclosures and performance. The in-depth discussions that followed led to agreement on the key material sustainability issues impacting each segment, and an overview of existing corporate responsibility initiatives undertaken at division level.

Having reached consensus, each workshop group positioned its agreed sustainability issues on a materiality matrix according to level of importance measured along two axes: "Importance to stakeholders" and "Importance to PPB Group". The draft matrix for each division then underwent validation with representatives from each workshop group and final adjustments were made.

SUSTAINABILITY STATEMENT

BOARD REVIEW AND GROUP MATERIALITY MATRIX



PPB Group's materiality matrix

The approved materiality matrices were combined into a consolidated matrix of 16 prioritised issues relating to the activities of PPB Group as a whole. This consolidated matrix, the final materiality matrix for each division, and all other findings from the workshop sessions were presented to the PPB Board of Directors for review and discussion. Final adjustments in line with PPB's overall sustainability strategy were made.

Once approved by the Board, the issues defined and prioritised by our working groups formed the basis of an agreed set of KPIs. The indicators are grouped into the four dimensions where our sustainability efforts are focused: environmental impact, working environment, marketplace engagement and community investment.

We will use these indicators as we report on our future sustainability performance, confident that they relate directly to the issues that matter most, for both our Group and our stakeholders.

Next steps on our journey

Based on what we have learned from our first reporting process, our identification of material issues, mapping of performance levels and feedback from stakeholders, we will begin developing a sustainability policy that sets out priorities for the Group and expected actions from each business segment. To accommodate extensive consultation with all divisions and external stakeholders, our target for completing this work is 2018.

SUSTAINABILITY STATEMENT

TARGETS

Target	Year
Zero fatalities for all business divisions	Ongoing
Establish a senior-level formal sustainability steering committee reporting to the Board to drive policy implementation and strategy	2017
PPB Group and its divisions to establish a joint CSR task force to develop a community investment strategy	2017
10% reduction in accidents for livestock farming	2017
Flour and animal feed division and GSC to commission a carbon footprint assessment and/or an energy reduction plan	2018
GSC to commission a water footprint assessment and/or a water reduction plan	2018
Property to commission a water footprint assessment and/or a water reduction plan	2018
Develop a sustainability policy that sets out priorities for the Group and expected actions from each business segment	2018

PROTECTING OUR PLANET

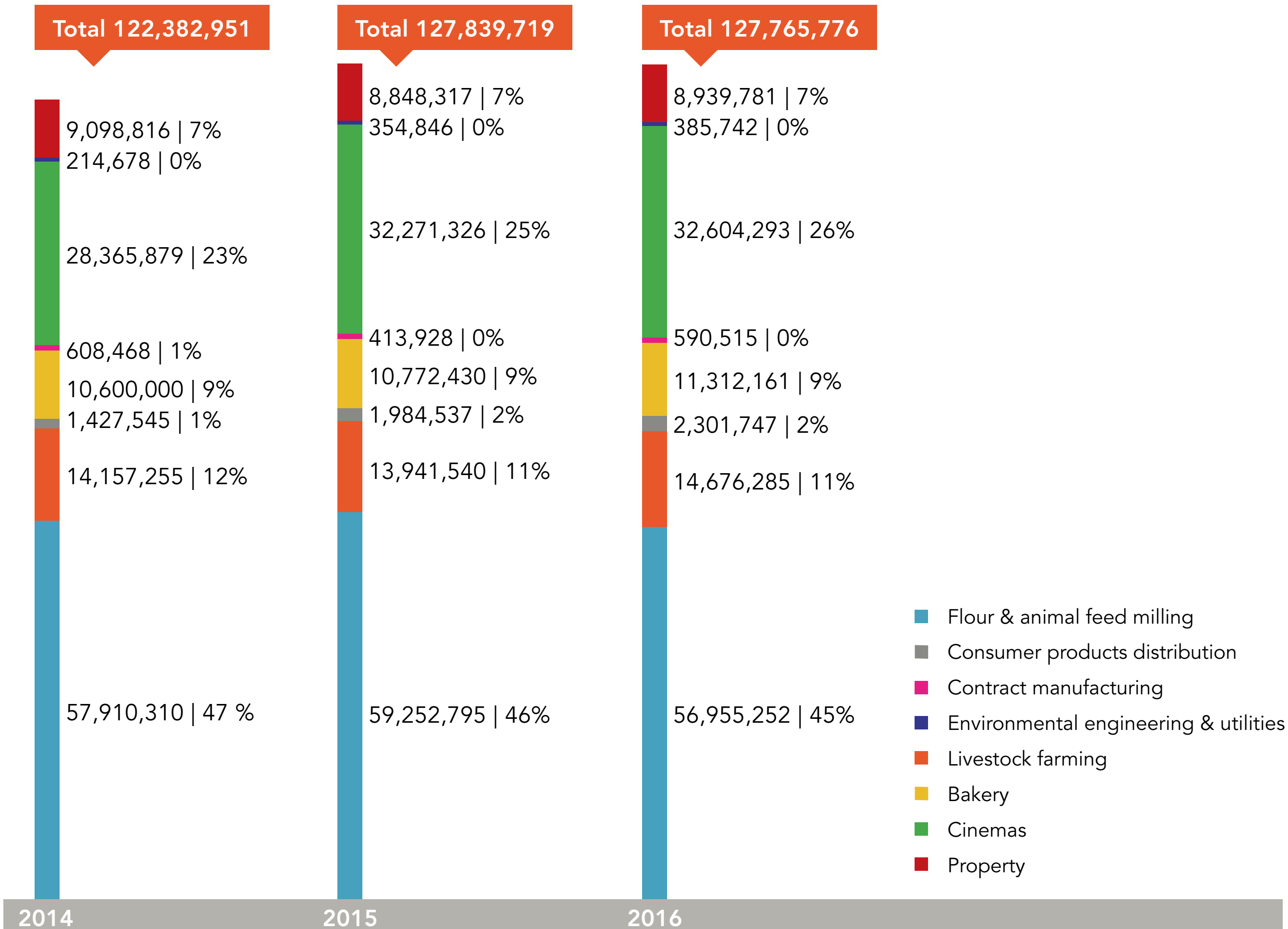
The key environmental challenges faced by businesses in Malaysia today are related to three global trends: climate change, resource scarcity and a growing focus on protecting fragile ecosystems and biodiversity. Our materiality identification exercise showed that the most immediate issues within our own operations relate to resource use and the impact of this use – particularly water, energy and waste. We mainly operate in industrialised zones and urban areas, primarily in the Klang Valley, Malaysia, and have relatively little direct impact on biodiversity, although we recognise that our supply chains may have some impact on ecosystems. We therefore believe our most significant action points should target the reduction and mitigation of climate change, water impact and waste management.

STRENGTHENING OUR RESPONSE TO CLIMATE CHANGE

Climate change is having an impact on Malaysia's people and economy through more extreme weather events, such as the 2014–2015 floods that displaced over 200,000 people and caused billions of ringgit of damage. Climate change may also have adverse effects on PPB Group's businesses as supply chains are disrupted, property is damaged and employees are forced to relocate.

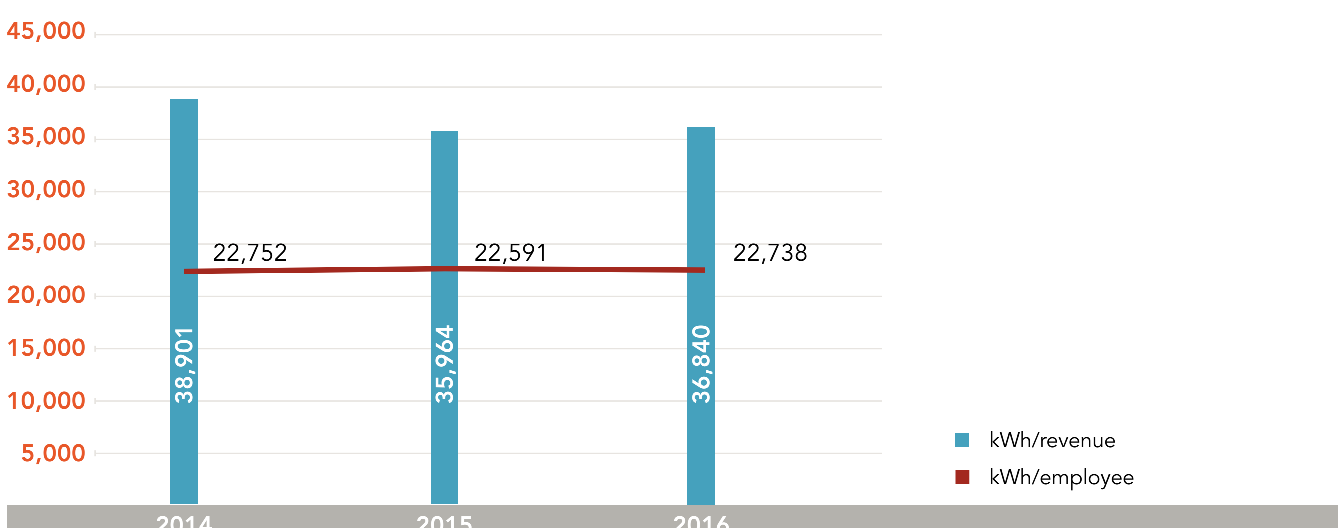
We acknowledge that all business activities impact climate change through their use of energy and natural resources. In our segments, electricity consumption is by far the largest direct source of carbon emissions, and we have started to map our energy use across all business divisions. This would help us to identify new opportunities for CO_2 emission reductions, including more energy-efficient processes and designs.

SUSTAINABILITY STATEMENT



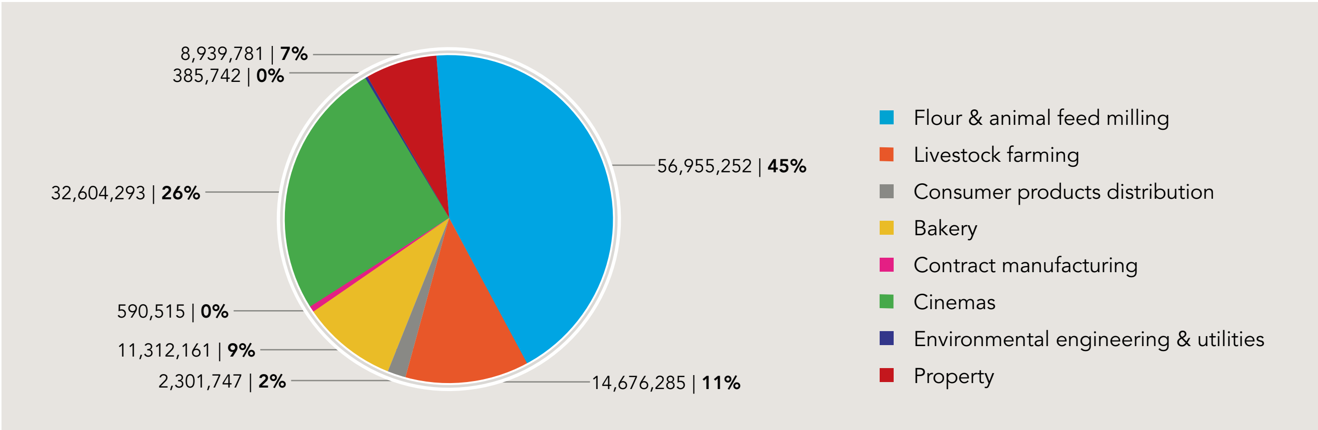
Energy usage in kWh by business unit (2014-2016)

Note: Energy usage figures do not include PPB Head Office or operations outside Malaysia.



Energy usage in kWh per employee and kWh per million RM revenue

SUSTAINABILITY STATEMENT

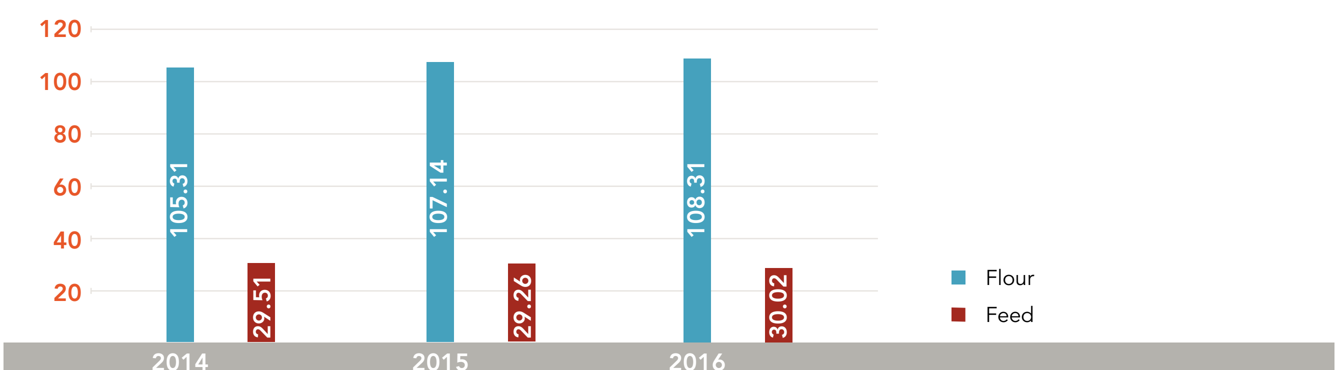


Energy usage in kWh by business unit (2016)

Reducing energy use where it matters most

Our energy usage has remained relatively stable over the past three years and we will focus our efforts on finding new opportunities to conserve energy and shrink our carbon footprint.

Flour and animal feed milling, for instance, is an energy-intensive activity that accounts for 45% of total Group energy usage. Our flour and animal feed division has a specific policy to strive towards and achieve optimum mill energy consumption. We measure this consumption using a KPI defined as kilowatt-hours per metric tonne (kWh/MT) of milled product, and have set a target to reduce our consumption by 2 kWh/MT for flour production in Pulau Indah by the end of 2019.



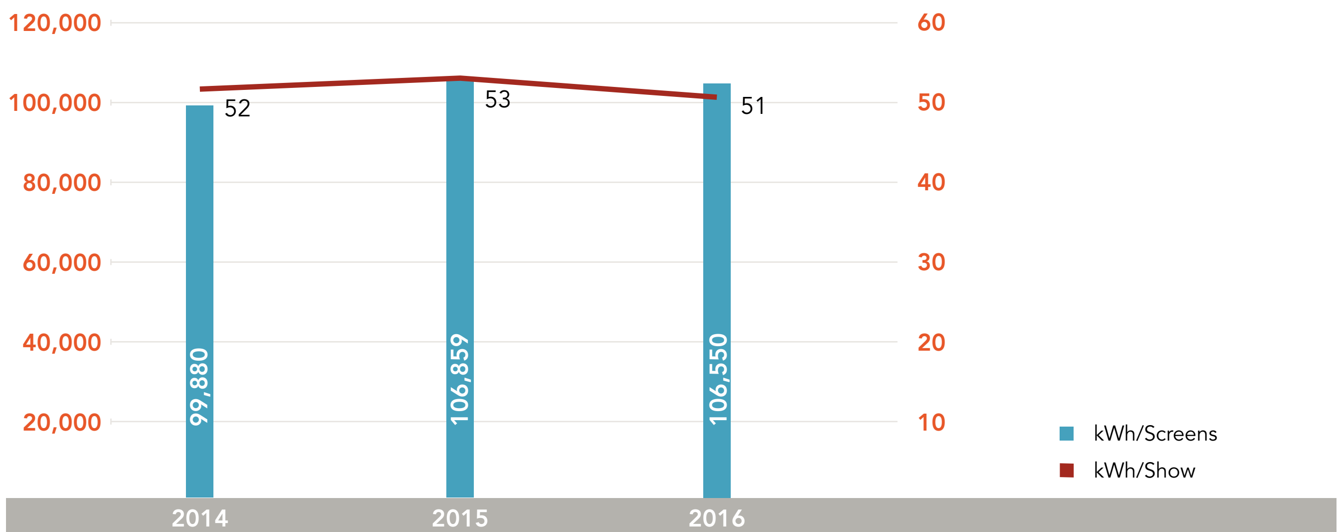
Flour & animal feed energy usage in kWh/MT - Pulau Indah operation only

SUSTAINABILITY STATEMENT

Cinemas put the spotlight on energy savings

Our cinema division – which operates 306 digital screens in multiplexes across Malaysia as at 31 December 2016 – highlighted energy consumption as a key material sustainability issue. Energy usage is a significant cost to the business. Electricity is used for air-conditioning and ventilation; projectors and sound systems that operate continuously throughout the day; and food and beverage concession equipment, including popcorn machines, fryers, refrigerators and ice machines.

Our cinemas have established a number of best practices, including the use of energy-saving laser projectors; energy-saving lights in cinemas and offices; and VSD (Variable Speed Drive) for air-conditioners.



GSC energy usage in kWh per screen and per show - Malaysian operations only

Energy-saving upgrades for livestock farming

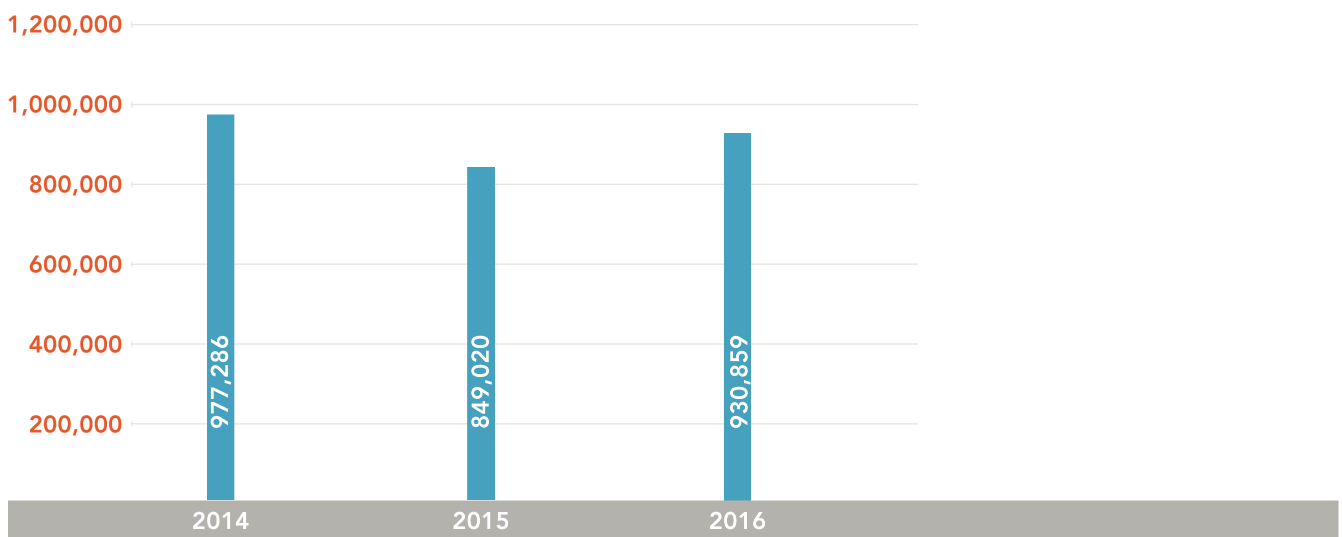
Livestock farming accounts for 11% of PPB Group's total annual energy usage. Farms mainly use electricity for ventilation, feeding and manure removal in chicken houses, and for incubators, water chillers, heating and air-conditioning at hatcheries. Almost all of this equipment runs 24 hours a day.

Our livestock farming division has recorded a consistent use of energy over the past three years, and we believe that our consumption is on par with our peers in the industry. However, we are looking to secure reductions wherever we can. Old equipment is replaced with more energy-efficient models, and we are exploring possibilities to install solar energy solutions that may be eligible for tax incentives under government-led green industry initiatives.

SUSTAINABILITY STATEMENT

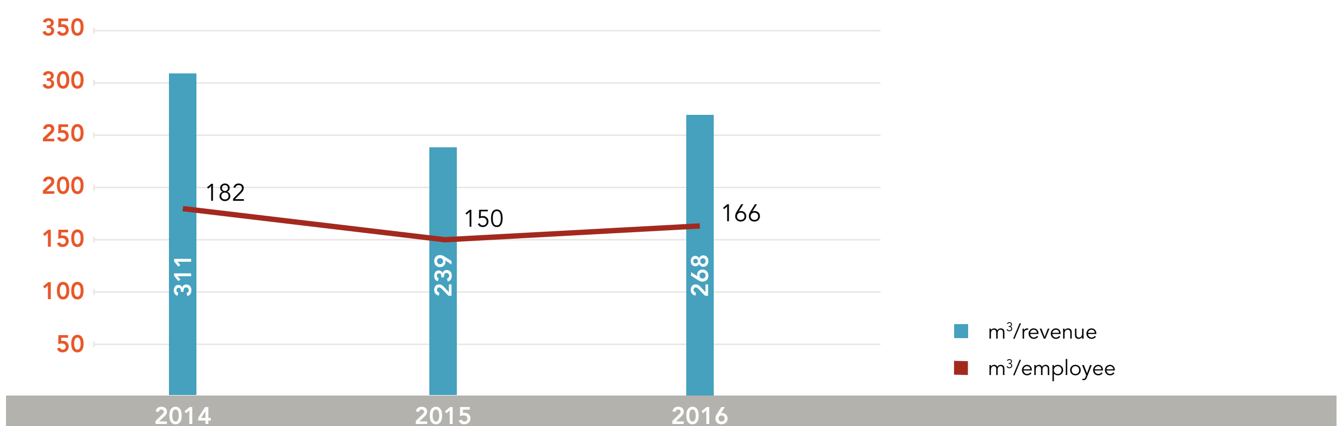
Developing our strategy for a water-scarce world

Changing rainfall patterns are causing more frequent water shortages and rationing in Malaysia and surrounding countries. Farmers and agribusiness corporations suffer losses when prolonged dry spells prevent the completion of crucial first plantings, and affect crop growth and production. The increasing frequency of water shortages across Southeast Asia has made water use management and conservation important issues across PPB Group's operations, particularly for divisions with high water consumption.



Total water consumption in m³

Note: Water usage figures do not include PPB Head Office or operations outside Malaysia.



Water consumption in m³ per employee and per million RM revenue

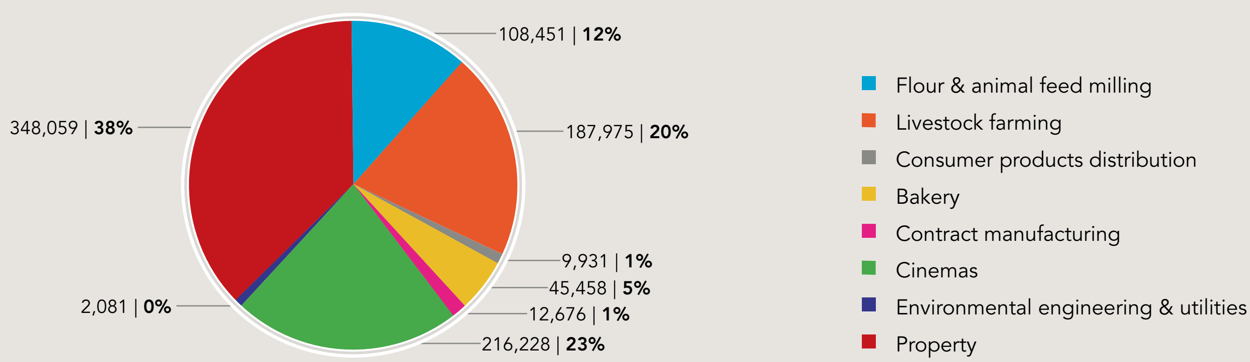
SUSTAINABILITY STATEMENT

As a Group, we consumed almost 931,000 m^3 of water in 2016, with 80% being used by property, cinemas and livestock farming.

Our property division had by far the highest impact, with tenants (including food and beverage outlets), and lavatory use contributing to more than a third of our total combined footprint. A critical aspect of our ongoing environmental management plans will consequently be to identify opportunities to reduce water usage in all our properties.

Consuming more than 200,000 m^3 of water annually, cinemas also account for a significant part of our water footprint. Consumption patterns are similar to those in our property division, with soft drinks and lavatory use constituting the major portion. The division is currently looking to reduce resource consumption in new cinemas through the installation of water-efficient auto-flush facilities.

Almost half of all water used by our livestock farming division is consumed by the poultry; the other half is mainly used for hatchery cleaning. The division is implementing water-saving initiatives, including the use of high-pressure pumps for washing the chicken housing, and recycling of water for the cooling pad and washing hatchery baskets. Further savings are being secured through ongoing checks and maintenance of the water supply line to prevent leaks.



Water usage in m^3 by business division (2016)

CREATING LESS WASTE

Waste emerged as an important theme for all our business divisions and stakeholders. Waste was commonly grouped together with water and soil pollution issues, recycling programmes and compliance.

Driving compliance on treatment standards

Our Environmental Engineering & 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. Key material issues included sludge disposal and compliance with national regulatory standards for wastewater discharged to surface waters. Of significant importance to stakeholders was the issue of leachate odour, occurring at or close to landfills containing putrescible waste.

Waste from our livestock farming division was also considered an important material issue and therefore standard operating procedures have been established.

PPB Group has division-specific policies covering wastewater treatment, which uses biochemical oxygen demand (BOD) and chemical oxygen demand (COD) as KPIs for treatment effectiveness.

SUSTAINABILITY STATEMENT

Rethinking our waste: from refuse to resource

Our businesses work to repurpose waste wherever possible. For instance, the nutrient-rich manure sourced from our poultry facilities is turned into high-quality organic fertiliser for use on farms.

Sustainable packaging: recycling and 'upcycling'

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.

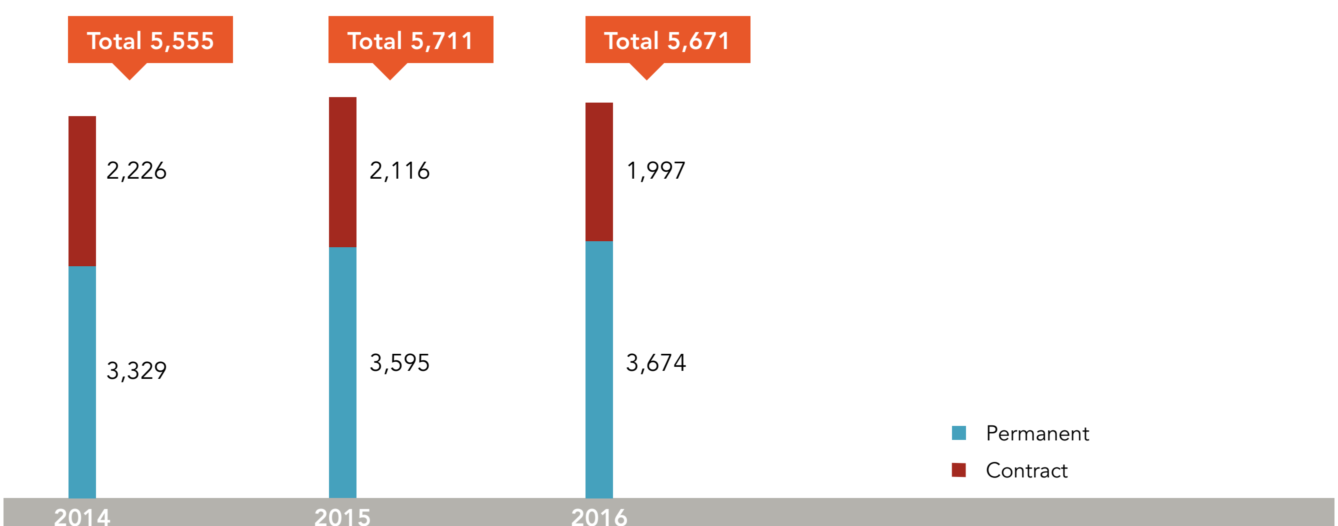
Cinemas are associated with high-volume waste, from dumped snack packaging to discarded ticket stubs. To make the film-going experience more sustainable, our GSC chain has introduced a mobile app that enables movie-goers to go ticketless. Having purchased tickets online, customers at selected cinema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

Trash is also being diverted from landfills through a GSC programme that encourages recycling and 'upcycling'. This internal programme includes introductory talks, as well as workshops and competitions through which opportunities to recycle and upcycle are explored.

The impact of packaging on marine environments has also been a key focus area. Fridays have been designated 'No Plastic Bag Day' for GSC employees. All funds raised through plastic bag initiatives at our cinemas are donated to NGOs and charitable entities.

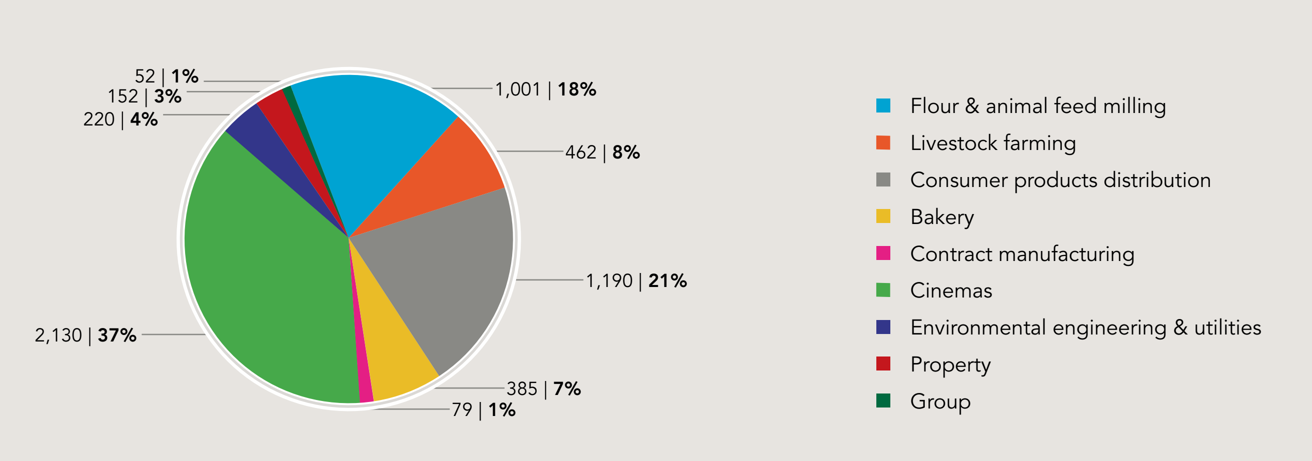
EMPOWERING OUR PEOPLE

The recruitment and retention of employees – including both unskilled workers and highly skilled professionals – is a major challenge faced by all industry sectors in Malaysia. The Group's continued success will therefore rely on our ability to create and maintain safe workplaces, and an engaging and supportive culture that empowers talented individuals to succeed.

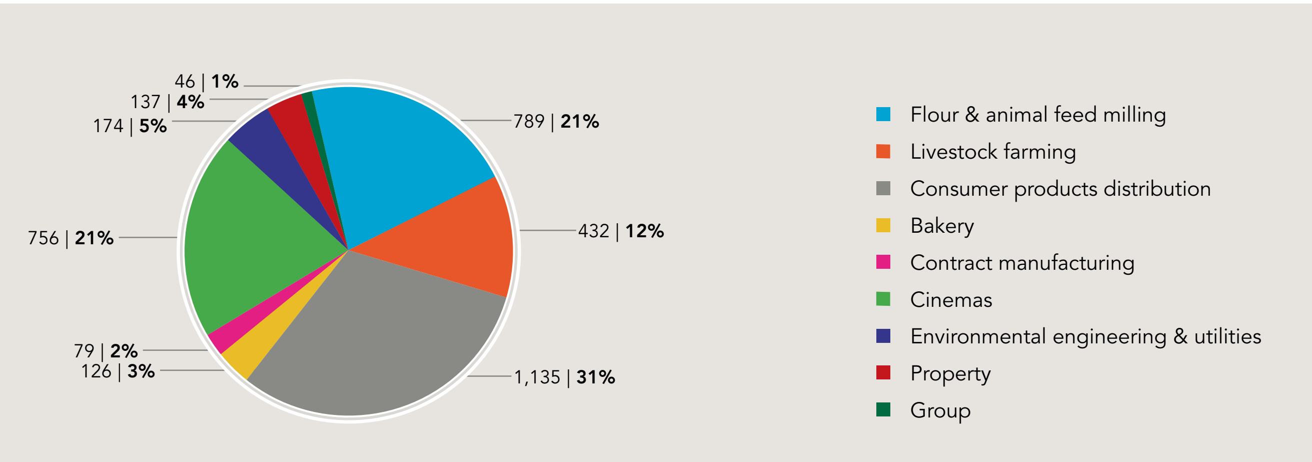


Employees by contract type

SUSTAINABILITY STATEMENT



All employees by business division (2016)



Permanent employees by business division (2016)

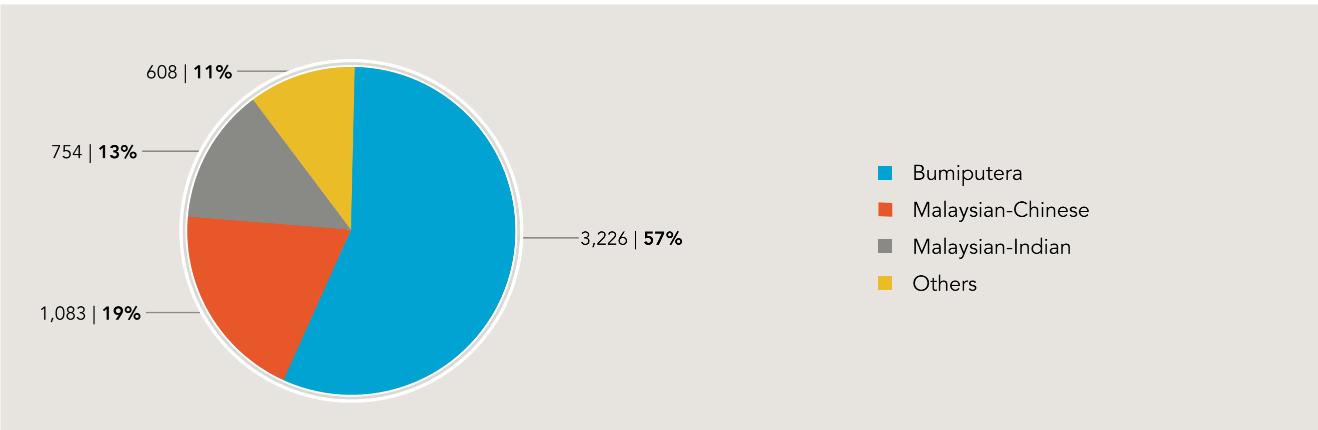
The Group employs about 5,600 people, of whom two thirds are permanent full-time employees. Our cinema business accounts for the highest proportion of workers (37% of PPB Group's total workforce), most of them on a part-time basis. Approximately a third of our permanent workers are employed in the consumer products division, where only a handful of individuals are hired on a temporary basis.

SUSTAINABILITY STATEMENT

BUILDING STRONGER BUSINESSES THROUGH DIVERSITY

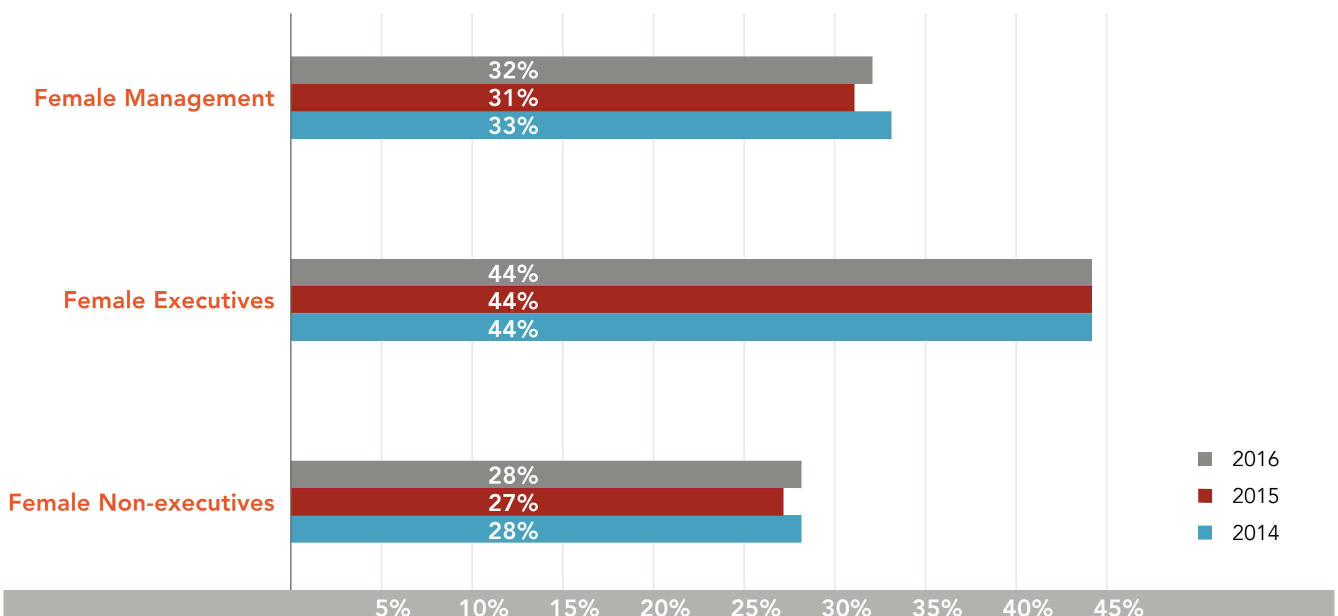
Amidst fierce competition for talent and labour, we want to be recognised as a diverse and attractive employer by all sections of the community, regardless of race or gender. Most businesses will be stronger when their workforce reflects the communities in which they operate.

The majority of our employees are based in Selangor, where Bumiputera (Malays and indigenous populations) constitute half the population, Chinese-Malaysians make up about 30%, and Indian-Malaysians a further 15%.



PPB Group employee distribution (2016)

About 40% of our employees are women. Considering that Selangor has a female labour participation rate of just over 50% (versus the male participation rate of 80%[1]) this is relatively high.



PPB Group female employees

[1] https://knoema.com/ckneekg/malaysia-regional-dataset-october-2013?tsId=1013380

SUSTAINABILITY STATEMENT

WELL-BEING IN OUR WORKPLACES

Having a motivated workforce strengthens our ability to deliver value to our shareholders, business partners, consumers and communities. The majority of our employees undergo an annual performance review, and we work to ensure that PPB Group working environments are healthy and engaging, example by offering sports and/or recreational facilities at a growing number of workplaces.

Employees at FFM Berhad's head office are encouraged to maintain their fitness at a fully equipped onsite gym. Fitness activities have also proved to be a good way to foster teamwork and a stronger work culture. In 2016, PPB staff and their family members participated in the Great Eastern Bubble Dash as well as the Standard Chartered Kuala Lumpur Marathon, both held in Kuala Lumpur. We also create opportunities for workers and their families to gather in the spirit of community by organising Movie Days and runs.

TRAINING AT ALL LEVELS

Employees in all divisions receive training in areas relevant to their functions. For the food-related and manufacturing segments, extensive training is provided on hygiene, food safety and handling (including HACCP) 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 for the bakery division.

Managers receive ongoing training on the latest legal and regulatory requirements, such as updates to the Employment Act, the Competition Act, the tax code etc. Some divisions have also developed specific leadership and coaching programmes to strengthen management skills.

UPHOLDING LABOUR PRACTICES AND EMPLOYEE RIGHTS

PPB Group is committed to protecting our employees' rights and treating them with dignity and respect. The Group complies with all applicable labour laws, rules and regulations in the countries where we operate, including the Malaysian Employment Act, and regulations governing key issues such as child labour and forced labour. All employees have access to a grievance mechanism to raise concerns related to workplace practices. PPB Group has a zero-tolerance policy against discrimination in any form.

FOREIGN WORKERS AND ILLEGAL LABOUR

PPB Group employs relatively few non-Malaysians – about 10% of our total workforce. These workers are primarily employed in the bakery and livestock farming divisions due to severe labour shortages in both sectors. All foreign workers directly employed by PPB Group have legal contracts and are accorded similar 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. PPB Group does not and will not employ any person below the age of 16.

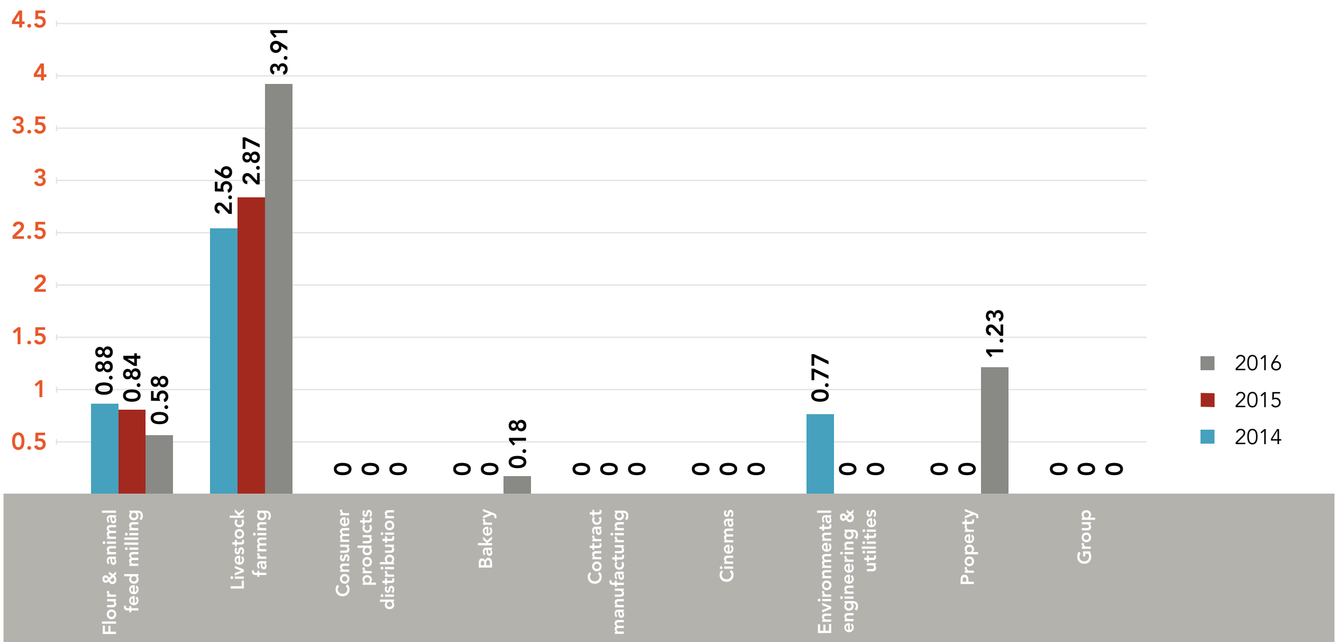
SUSTAINABILITY STATEMENT

ENSURING SAFER WORKING ENVIRONMENTS

Our biggest responsibility is to ensure the health and safety of our employees. We aim to foster a risk-averse working environment and eliminate safety hazards across all our divisions.

The Group recorded a total of 31 Lost Time Accidents (LTA) in 2016. We consider this to be a very low number given the size of PPB Group and range of activities. No accidents were recorded at PPB Head Office or in four of our divisions. Sustained focus on safety has resulted in the number of accidents in our flour and feed milling division being reduced by 30% and lost days per accident by almost 70%.

Our bakery and property divisions did record accidents in 2016 – the first in three years for both. These divisions have now strengthened measures to prevent future incidents. While our livestock farming division has successfully reduced the severity of accidents, it still has the highest LTA rate in the Group due to the highly manual nature of the work and the physical environment of the farm. The most common accidents involve slips, sprains and incorrect use of personal protective equipment, and the division is looking into ways to reduce such incidents.



Lost time accident rate by division (Number of accidents per 200,000 working hours)

Note: Accidents involving employees only, except accident figures for flour & animal feed milling at Pulau Indah, where figures include contractors working on site.

Average number of lost days per accident by division

	2014	2015	2016
FLOUR & ANIMAL FEED MILLING	38.9	47	11.86
LIVESTOCK FARMING	33.42	32	17.95
CONSUMER PRODUCTS DISTRIBUTION	0	0	0
BAKERY	0	0	14
CONTRACT MANUFACTURING	0	0	0
CINEMAS	0	0	0
ENVIRONMENTAL ENGINEERING & UTILITIES	60	0	0
PROPERTY	0	0	75
PPB HEAD OFFICE	0	0	0

SUSTAINABILITY STATEMENT

Massimo's bread roll production line.

There have been no workplace fatalities in the Group over the past two years. Unfortunately, a single fatality occurred in 2014 in our flour and feed milling division, during the demolition of a silo in Johor Bahru, where a worker employed by a third-party contractor suffered a fatal fall. The accident was reported to the Department of Occupational Health and Safety.

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. Such explosions occurring in confined spaces 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/Nm^3.

The Group's flour and feed milling divisions are covered by their respective Occupational Health and Safety Policies, and report on LTA rates and fatalities. Both divisions have a target of zero industrial accidents.

Hazardous chemicals

The handling of hazardous chemicals was 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 all relevant personnel across PPB Group divisions on an annual basis.

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 (m^2) exposed to noise levels above 85 dB has been established at our flour and feed milling plant in Pulau Indah, and we continually work to reduce this space.

ADVANCING OUR MARKETPLACE

We believe that being a good corporate citizen advances our business success by contributing to a healthier marketplace. Economic performance, corporate governance and customer engagement are among the key material issues for our businesses as a whole.

SUSTAINABILITY STATEMENT

At Group level, marketplace impacts including governance and ethics were deemed to be of high material importance to both PPB Group and stakeholders. The priority issues that emerged from our group analysis were:

- Profit and loss (financial reporting)
- Product quality, safety and halal status
- Customer satisfaction and engagement
- Privacy and personal data protection
- Anti-corruption

OUR CODE OF CONDUCT

Beyond strict adherence to local laws and regulations, every employee is required to comply with our organisation's ethical standards. The code of conduct included in our respective Group staff handbooks explicitly defines our expectations of every employee in terms of business practices and personal conduct.

ANTI-CORRUPTION

The adoption of robust anti-bribery and corruption policies is identified as a major material issue for our business divisions and stakeholders. We have implemented a whistle-blowing mechanism to enable employees 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 ON OUR PERFORMANCE

Accuracy and transparency in financial reporting is of paramount importance for PPB Group and its stakeholders. PPB reports on the Group's financial performance on a consolidated basis and engages stakeholders regularly through quarterly results annoucements and e-Investor Updates. We conduct two press and analyst briefings every year to keep our shareholders and the investment community updated.

PPB Group's financial and operational information can be found on our website – www.ppbgroup.com – where stakeholders may also direct enquiries and provide feedback.

PUTTING QUALITY AND SAFETY FIRST

Product and/or service quality and safety were identified as being of high importance to PPB Group operations and stakeholders across every segment without exception. In the food production division, companies must adhere to their 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.

We have also implemented specific measures to enforce our standards in sector-specific contexts. Our livestock farming division collects data on the mortality rate, body weight, and 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 bakery division holds a Silver Putra Brand Award (2015) in the 'foodstuff' category, and a Campus Plus Brand Choice Award (2014) in the 'favourite bread' category.

SUSTAINABILITY STATEMENT

CUSTOMER SATISFACTION AND ENGAGEMENT

We encourage active consideration and incorporation of customer feedback in our business areas and practices. Customer satisfaction and engagement are important material issues that have an impact, both for stakeholders and for the brands and reputation of PPB Group companies. During the 2014–2016 reporting period we have seen a growth in customer feedback in the relevant business areas. In 2016, our cinema division received 73 items of feedback per hundred thousand admissions, which included enquiries on screening times, pricing, subtitles, classifications, promotions, hall bookings and birthday redemptions.

Flour and feed milling, livestock farming and environmental engineering & utilities divisions conduct regular customer satisfaction surveys 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 providing updated details on labour standards as well as ethical and environmental practices.

Complaints handling

The Group business entities monitor customer complaints to assess customer satisfaction, while some use the number of complaints received as a KPI to measure performance. Our contract manufacturing business has an annual target of eight or fewer complaints and has achieved this every year in the reporting period. By comparison, our cinema division received 39 complaints per hundred thousand admissions - mainly about e-payment transactions, cinema services and facilities issues – due to the size and customer-facing nature of its operations.

New engagement initiatives

Customer engagement has been taken to another level to support inclusivity and diversity within our cinema business. GSC has connected with people living with disabilities to find ways to enhance the cinema-going experience for them, and has committed to providing accessible facilities in all new cinemas. GSC has also implemented themed film festivals to help drive interracial and cultural awareness in our communities.

Recognition

We are very proud to report that GSC has won Gold in the Putra Brand Awards for the last three consecutive years. The Putra Awards recognise Malaysia's favourite brands and are based on consumer feedback and satisfaction.

Privacy and personal data protection

With enhanced customer engagement – particularly via digital channels – comes an important responsibility to protect individual privacy and personal data. All relevant PPB business divisions have a formal customer privacy policy and are compliant with the Personal Data Protection Act 2010.

SUSTAINABILITY STATEMENT

ENGAGING OUR COMMUNITIES

We see ourselves as a force for good in the communities where we operate. The key community challenges identified in our segments are demand for greater community consultation and support for local wealth and job creation.

Community engagement has long been an area of corporate interest. Today, however, there is a clear trend towards strategic interventions based on local needs. Stakeholder opinions are now far less influenced by gesture-based initiatives: they demand action on community-directed commitments and measureable progress on issues that make a concrete difference at a local level.

Community engagement themes were ranked at varying levels of importance for the various divisions and stakeholders. The most important material issue for PPB Group was local wealth creation to improve public infrastructure facilities while potential public nuisance was seen by our environmental engineering and utilities division as an understandable issue for certain stakeholder groups.

CREATING WEALTH ON OUR DOORSTEP

Our segment workshops identified local wealth creation as a key material issue for PPB Group companies within the community dimension. This reflects the trend towards more targeted and business-focused community initiatives. Improving livelihoods, growing the local skills base and educating communities are generally considered sound long-term business investments.

PPB assesses its performance in this dimension using a KPI based on community investments made in the reporting year. Between 2014 and 2016 we contributed over RM1.8 million to build local educational capacities, improve living standards for indigenous communities and strengthen community welfare.

PPB-KF Welfare Fund for Perlis

The state of Perlis is special to PPB. Home to our very first operations – a sugar cane plantation – Perlis is where our story began. Following the 2010 divestment of our sugar-related businesses, PPB established a RM10 million endowment fund to benefit the poor and underprivileged people in Perlis. Managed by Kuok Foundation Berhad, the fund has so far spent RM1.05 million, primarily on school uniforms and shoes for more than 4,000 primary and secondary school children as part of the annual Educare Project. In addition, the fund has awarded study grants to 46 students, one-off scholarships to 109 secondary school children and cash donations to deserving welfare homes.

Back to School project

Our Back to School project provides free school uniforms and shoes for underprivileged children across many parts of Malaysia. It has been carried out annually since 2010 and has reached schoolchildren in Sungai Buloh (Selangor), Sentul (Kuala Lumpur), Senawang (Negeri Sembilan), Bagan Serai (Perak), Manek Urai (Kelantan) and Asahan (Melaka). PPB has invested about RM450,000 to date in this project and over 10,000 primary school pupils have had their basic school-going needs met.

In 2016, PPB staff distributed school uniforms and shoes to 1,413 students from 15 primary schools in Asahan, Jasin District, Melaka.

EMPOWERING INDIGENOUS PEOPLES

PPB is committed to engaging with Malaysia's indigenous communities (orang asli), understanding their challenges and improving their livelihoods.

Improving access to amenities

Many orang asli live in remote villages composed of rudimentary dwellings which lack basic amenities. By addressing these needs, including access to clean water, sanitary facilities and sturdy shelter, we aim to help improve living conditions in these communities.

To alleviate the pressing need for clean water, PPB sponsored the construction in 2015 and 2016 of 20 wells for the Jakun orang asli communities in Simpai, Pekan and Tanjong Gong, Tasik Cini. Under the terms of the sponsorship, PPB purchased all materials and the communities supplied the labour.

SUSTAINABILITY STATEMENT

The table below shows the total number of families and individuals served by the sponsored wells.

	Simpai (10 wells) Completed in 2015	Tasik Cini (10 wells) Completed in 2016
Families	49	70
Individuals	158	244

In 2017, we plan to sponsor the construction of 10 new wells for another group of orang asli (still to be identified at the time of reporting). This will bring our total investment in well construction for orang asli communities to approximately RM100,000.

As the number of families using the new wells increases, bathing in open areas around the wells becomes inconvenient. Over the next two years, we plan to focus on the communities we have already sponsored and invest a further RM100,000 on toilets and bathing facilities. As with the construction of wells, PPB will purchase all materials and the communities will supply the labour. This arrangement encourages the communities to take ownership of their well-being and living conditions.

PPB is also currently developing a project to sponsor the provision of materials to build more secure roofing for orang asli homes. We endeavour to improve the lives of orang asli who desire better housing and amenities and are willing to contribute to the construction.

Addressing indigenous education needs

We recognise the need for a long-term and systematic approach to reduce poverty and improve the livelihoods and prospects of the orang asli. For this we believe education is the key, but access is a major challenge for their children. Government schools are located in distant towns, which means children face a long journey before and after school, and once home, the lack of electricity hampers homework and study.

To address this gap we are working with Semenanjung Orang Asli (SEMOA), a non-profit organisation which supports orang asli children through the Orang Asli Education Centre (OAEC). The centre, located at Tras in Raub, Pahang, accommodates and cares for about 100 children aged five and above while they attend local government schools. SEMOA has plans to extend the OAEC to accommodate more students and PPB is interested in supporting this project.

SUSTAINABILITY STATEMENT

TAKING ACTION IN OUR COMMUNITIES

Disaster Relief

The KF Disaster Recovery Fund was set up by PPB in April 2015, together with Kuok Brothers Sdn Bhd and Kuok Foundation Berhad (KFB), in response to the massive floods that hit several east coast states in Peninsular Malaysia in December 2014. Managed by KFB, the fund carries out post-disaster recovery works in Malaysia, such as the rebuilding and repairing of homes for underprivileged people, and helps those affected by natural disasters to regain their livelihoods.

With the assistance of FFM Group, the fund has helped 75 families from villages in Kelantan, including Kota Bahru, Pasir Mas, Tanah Merah, Machang, Temangan, Gua Musang and Kuala Krai.

FFM Group staff also distributed baked goods and other FFM products to needy individuals and families during the floods. After the victims returned to their homes, FFM staff made house-to-house deliveries of items such as cleaning products, mosquito sprays and heavy duty garbage bags to 6,000 families.

Addressing pertinent issues in public spaces

Cheras LeisureMall (CLM), a shopping mall owned and managed by PPB, is becoming a community focal point for awareness campaigns and educational programmes in Cheras, Kuala Lumpur.

On World Kidney Day 2016, CLM organised a public event to raise awareness about kidney disease and the importance of early detection. Health was also the focus during Breast Cancer Awareness month, for which CLM organised the annual Pink Umbrella Walk 2016 in partnership with Pantai Hospital Cheras. Booths were set up to offer free health screenings – including blood pressure, blood glucose and body mass index – and instructions for performing self-examinations. CLM also mobilises a quarterly blood donation campaign to drive public understanding that giving blood saves lives.

Broader health and environmental issues were on CLM's agenda during the reporting period. In September 2016, the mall took part in the "Stop the Haze" campaign, which aimed to educate members of the public about the forest and peat fires that had caused a public health emergency across Southeast Asia. The campaign showcased ways to work towards zero haze in Malaysia.

CLM also organised a Fire Kids Club Safety Workshop in July 2016 to educate the younger generation about fire safety. The Malaysian Volunteer Fire and Rescue Association demonstrated a hands-on approach to handling real-life scenarios, teaching 150 children aged 5 to 11 how to act safely in emergency situations.

SUSTAINABILITY STATEMENT

Driving community awareness on shark conservation

Our cinema division has continued to drive community awareness about the importance of shark conservation. Reducing the demand for shark fins is vital for protecting sharks against extinction and maintaining the health of ocean ecosystems. In 2014, GSC made the "I'm FINished with Fins" corporate pledge, and in 2016 embarked on a seven-month partnership with WWF Malaysia for the "My Fin My Life" campaign targeting the present high level of shark fin consumption.

Bridging cultures through film

To stimulate greater awareness of the arts and cultures of other countries, GSC has dedicated International Screens at key locations exclusively for the screening of award-winning foreign language films.

GSC also partners with various foreign embassies and high commission – including those of France, Japan, Singapore and European Union nations – to run festivals that bring the work of filmmakers from their respective countries to Malaysian audiences.

Autism Awareness 2016

April 2016 was Autism Awareness Month. To help support those affected by the condition, GSC ran a fund-raising campaign in collaboration with Current Pictures Sdn Bhd, a film producer. This included screenings of the film *Redha*, a touching story about a family with an autistic child.

For every ticket sold, RM1 was donated to the National Autism Society of Malaysia (NASOM) and RM30,000 was raised for this cause.

The aim was to raise awareness as well as funds. To promote the campaign, GSC ensured all ground staff wore blue badges and the official campaign colours were deployed across all GSC digital platforms. Headquarters staff also received an introductory talk on autism. To increase public awareness and understanding about the challenges faced by autistic persons and their families, snippets of autism-related information were posted on all GSC's social media channels.

Supporting local filmmakers and artists

It should be no surprise that GSC is committed to supporting Malaysia's next generation of filmmakers. In 2016, GSC sponsored the launch of the 10th BMW Shorties at GSC Pavilion in Kuala Lumpur. BMW Shorties is a cultural initiative by BMW Group Malaysia to provide amateur filmmakers with a platform to showcase their talent and creativity. GSC gave RM12,533 in donations and in-kind contributions to the event.

GSC also encourages local talent in other artistic fields. In support of local street art, GSC engaged local graffiti artist Mahathir Masri, better known as THEY, to decorate the exit hallways at GSC Mid Valley. His work combined characters from his favourite films, including the Star Wars, Fast and the Furious and Marvel superhero movies, infusing his own graffiti style in the process. THEY also designed limited edition T-shirts sold to the public to raise RM30,000 for the children of Persatuan Kebajikan Kanak-Kanak Cornerstone charity.

GSC now provides opportunities for other talented local street artists to decorate its cinema walls with movie-related graffiti. Movie-goers can spot exciting graffiti works in GSC IOI City Mall and GSC Ipoh Parade amongst others, as GSC brings contemporary street art into cinemas nationwide.

23 March 2017

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 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements for the year ended 31 December 2016 set out on pages 94 to 180 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 23 March 2017.

ANNUAL REPORT 2016

FINANCIAL STATEMENTS

Financial Statements

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 2016.

PRINCIPAL ACTIVITIES

The Company was engaged in property investment and investment holding during the financial year.

The principal activities of the subsidiaries during the financial year were grains and agribusiness; consumer products; film exhibition and distribution; environmental engineering and utilities; property; chemicals trading and manufacturing; investments in equities and packaging.

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	1,106,871	368,186
Attributable to:		
Owners of the parent	1,044,993	368,186
Non-controlling interests	61,878	-
	1,106,871	368,186

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2015 as disclosed in the Directors' report of that year:	
Final single tier dividend of 17 sen per share paid on 25 May 2016	201,535
In respect of the financial year ended 31 December 2016:	
Interim single tier dividend of 8 sen per share paid on 28 September 2016	94,840
	296,375

The Directors have recommended a final single tier dividend of 17 sen per share in respect of the financial year ended 31 December 2016 for shareholders' approval at the forthcoming Annual General Meeting ("AGM").

Together with the interim single tier dividend already paid, the total dividends paid and proposed for the financial year ended 31 December 2016 would be 25 sen per share.

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 on pages 98 and 99.

DIRECTORS' REPORT

SHARES AND DEBENTURES

There were no changes in the issued and paid-up share capital of the Company during the financial year.

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 *(Chairman)*
Lim Soon Huat *(Managing Director)*
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Datuk Ong Hung Hock
Soh Chin Teck
Ahmad Riza bin Basir
Tam Chiew Lin

Mr Lim Soon Huat and Encik Ahmad Riza bin Basir retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election as Directors. Tan Sri Datuk Oh Siew Nam was re-appointed at the previous AGM to hold office until the conclusion of the forthcoming AGM and being eligible, offers himself for election as a Director.

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 were as follows:

Interest in the Company

	No. of ordinary shares of RM1 each registered in the name of Directors			
Name of Director	**As at 1.1.16**	**Bought**	**Sold**	**As at 31.12.16**
Tan Sri Datuk Oh Siew Nam	120,666	-	-	120,666
Tam Chiew Lin	6,000	-	-	6,000

	No. of ordinary shares of RM1 each in which the Directors are deemed to have interest			
Name of Director	**As at 1.1.16**	**Bought**	**Sold**	**As at 31.12.16**
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

	No. of ordinary shares of RM1 each in which the Director is deemed to have interest			
Name of Director	**As at 1.1.16**	**Bought**	**Sold**	**As at 31.12.16**
Tan Sri Datuk Oh Siew Nam	18,000	-	-	18,000

DIRECTORS' REPORT

Interest in holding company – Kuok Brothers Sdn Berhad

	No. of ordinary shares of RM1 each registered in the name of Directors			
Name of Director	**As at 1.1.16**	**Bought**	**Sold**	**As at 31.12.16**
Lim Soon Huat	200,000	-	-	200,000
Datuk Ong Hung Hock	290,000	-	-	290,000

	No. of ordinary shares of RM1 each in which the Director is deemed to have interest			
Name of Director	**As at 1.1.16**	**Bought**	**Sold**	**As at 31.12.16**
Tan Sri Datuk Oh Siew Nam	4,966,667	-	-	4,966,667

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

	No. of ordinary shares of RM1 each in which the Director is deemed to have interest			
Name of Director	**As at 1.1.16**	**Bought**	**Sold**	**As at 31.12.16**
Tan Sri Datuk Oh Siew Nam	100,000	-	-	100,000

The other Directors holding office at 31 December 2016 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.

The details of other benefits and remuneration of the directors are set out in note 6 of the financial statements.

The amount of premium on insurance effected for Directors and officers of the Group and Company is set out in note 6 of the financial statements.

DIRECTORS' REPORT

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.

(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 the 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 56 of the financial statements.

AUDITORS

Details of the auditors' remuneration are set out in note 6 of 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 23 March 2017.

On behalf of the Board

TAN SRI DATUK OH SIEW NAM
Chairman

LIM SOON HUAT
Managing Director

Kuala Lumpur
23 March 2017

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Revenue	3	**4,186,376**	4,048,314
Cost of sales	4	**(3,546,290)**	(3,476,982)
Gross profit		**640,086**	571,332
Other income		**171,282**	210,256
Distribution costs		**(197,077)**	(182,266)
Administrative expenses		**(176,236)**	(153,343)
Other expenses		**(36,878)**	(30,601)
Share of net profits less losses of associates		**830,462**	789,888
Share of profits of joint venture		**4,841**	5,599
Finance costs	5	**(25,370)**	(29,743)
Profit before tax	6	**1,211,110**	1,181,122
Tax expense	7	**(104,239)**	(105,003)
Profit for the year		**1,106,871**	1,076,119
Attributable to:			
Owners of the parent		**1,044,993**	1,051,311
Non-controlling interests		**61,878**	24,808
		1,106,871	1,076,119
Basic earnings per share attributable to owners of the parent (sen)	8	**88.2**	88.7

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

	2016 RM'000	2015 RM'000
Profit for the year	1,106,871	1,076,119
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 on translation of foreign operations	729,340	3,107,985
- Reclassification adjustments to profit or loss on liquidation of a subsidiary	-	(5,285)
Adjustment to deferred tax attributable to changes in tax rate	-	(1,320)
Fair value of available-for-sale financial assets:		
- Gains/(losses) arising during the year	13,171	(92,959)
- Reclassification adjustments to profit or loss upon disposal of quoted investments	-	(829)
Share of associates' other comprehensive losses	(441,751)	(766,259)
Total comprehensive income	1,407,631	3,317,452
Attributable to:		
Owners of the parent	1,339,922	3,252,346
Non-controlling interests	67,709	65,106
	1,407,631	3,317,452

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,353,204	1,356,671
Investment properties	10	194,455	195,831
Biological assets	11	3,364	3,364
Land held for property development	12	84,923	41,645
Goodwill	13	73,704	73,746
Other intangible assets	14	3,233	2,962
Investments in associates	16	17,662,449	16,813,778
Investment in joint venture	17	65,418	66,934
Other investments	18	440,356	427,198
Deferred tax assets	19	2,771	5,644
Total non-current assets		19,883,877	18,987,773
Current assets			
Inventories	21	620,464	682,210
Biological assets	11	19,417	20,769
Other intangible assets	14	14,850	12,175
Property development costs	22	-	4,964
Gross amount due from customers	23	29,563	76,339
Trade receivables	24	560,083	593,547
Other receivables, deposits and prepayments	25	105,295	114,006
Amounts due from associates	26	257,880	206,506
Derivative financial assets	27	3,276	14,229
Current tax assets		5,985	7,879
Deposits	28	305,831	471,085
Short-term fund placements	29	666,959	447,018
Cash and bank balances	30	205,471	278,240
		2,795,074	2,928,967
Non-current assets classified as held for sale	31	23,759	8,734
Total current assets		2,818,833	2,937,701
TOTAL ASSETS		22,702,710	21,925,474

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2016

	Note	2016 RM'000	2015 RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	*32*	**1,185,500**	1,185,500
Share premium		**6,715**	6,715
Other non-distributable reserves	*33*	**3,226,283**	2,920,140
Retained earnings		**16,554,092**	15,804,622
Equity attributable to owners of the parent		**20,972,590**	19,916,977
Non-controlling interests		**695,143**	635,594
Total equity		**21,667,733**	20,552,571
Non-current liabilities			
Long-term bank borrowings	*34*	**72,918**	111,170
Deferred tax liabilities	*35*	**99,266**	97,225
Total non-current liabilities		**172,184**	208,395
Current liabilities			
Gross amount due to customers	*23*	**1,536**	839
Trade payables	*36*	**225,375**	381,083
Other payables and accruals	*37*	**147,865**	146,486
Amounts due to associates	*26*	**2,950**	584
Derivative financial liabilities	*27*	**5,221**	4,709
Hire purchase liabilities		**-**	6
Short-term borrowings	*38*	**454,028**	615,667
Bank overdrafts	*39*	**1,058**	34
Current tax liabilities		**24,760**	15,100
Total current liabilities		**862,793**	1,164,508
Total liabilities		**1,034,977**	1,372,903
TOTAL EQUITY AND LIABILITIES		**22,702,710**	21,925,474

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

		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 2015		1,185,500	6,715	44,668	258,819
Other comprehensive income/(loss)		-	-	(1,301)	2,470,291
Profit for the year		-	-	-	-
Total comprehensive income/(loss)		-	-	(1,301)	2,470,291
Changes in equity interest in an associate	*40*	-	-	-	-
Transfer of reserves	*41*	-	-	(2,890)	-
Return of capital by a subsidiary		-	-	-	-
Dividends paid to shareholders of the Company	*42*	-	-	-	-
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-
Acquisition of shares in a subsidiary	*43*	-	-	-	-
Issue of shares to non-controlling interests		-	-	-	-
At 31 December 2015		**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	*43*	**-**	**-**	**-**	**-**
Realisation upon liquidation of subsidiaries		**-**	**-**	**-**	**-**
Realisation upon disposal of a subsidiary		**-**	**-**	**-**	**-**
Issue of shares to non-controlling interests		**-**	**-**	**-**	**-**
At 31 December 2016		**1,185,500**	**6,715**	**39,511**	**3,099,410**

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

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
89,626	76,897	268,978	14,889,310	16,820,513	560,803	17,381,316
(93,355)	(88,413)	(86,187)	-	2,201,035	40,298	2,241,333
-	-	-	1,051,311	1,051,311	24,808	1,076,119
(93,355)	(88,413)	(86,187)	1,051,311	3,252,346	65,106	3,317,452
-	-	-	128,478	128,478	-	128,478
-	-	(16,993)	19,883	-	-	-
-	-	-	-	-	(2,495)	(2,495)
-	-	-	(284,520)	(284,520)	-	(284,520)
-	-	-	-	-	(9,711)	(9,711)
-	-	-	160	160	(6,686)	(6,526)
-	-	-	-	-	28,577	28,577
(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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,211,110	1,181,122
Adjustments for non-cash items:		
Amortisation and depreciation	145,784	131,421
Bad and doubtful debts	2,468	1,017
Property, plant and equipment, investment properties and other intangible assets written off	738	1,606
Impairment of non-current asset held for sale	-	540
Write back of impaired investment property	(47)	(29)
Impairment of investment in an associate	-	1,709
Impairment of goodwill	42	130
Net (gain)/loss on disposal of property, plant and equipment, investment properties and non-current asset held for sale	(6,079)	635
Net loss on disposal of subsidiaries	116	-
Surplus arising from liquidation of a subsidiary	(8)	(5,314)
Deficit/(Surplus) arising from liquidation of an associate	176	(38)
Fair value loss on financial assets at fair value through profit or loss	-	178
Net gain on disposal of available-for-sale financial assets	-	(930)
Gain on disposal of financial assets at fair value through profit or loss	(7)	-
Share of net profits less losses of associates	(830,462)	(789,888)
Share of profits of joint venture	(4,841)	(5,599)
Inventories written off	79	184
Inventories written down	6,718	4,297
Unrealised net foreign exchange loss	8,156	1,472
Unrealised net loss/(gain) on fair value of derivative financial instruments	9,688	(18,831)
Interest expense	25,370	29,743
Dividend income	(6,098)	(7,388)
Income from short-term fund placements	(21,011)	(16,310)
Interest income	(19,260)	(17,941)
Rental income	(5,806)	(4,058)
Operating profit before working capital changes	516,826	487,728

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Adjustments for working capital changes:			
Land and development expenditure		7,622	(8,354)
Inventories, biological assets and other intangible assets		35,290	36,891
Gross amounts due from/to customers		47,472	(22,476)
Receivables		21,379	(67,534)
Payables		(155,382)	33,495
Cash generated from operations		473,207	459,750
Tax paid		(91,123)	(90,502)
Net cash generated from operating activities		382,084	369,248
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares in a subsidiary	*43*	(1,545)	(6,526)
Deficit from liquidation of subsidiaries		(3,101)	-
Proceeds arising from liquidation of an associate		24	1,565
Acquisition of equity interest in associates		(2,854)	(97,944)
Proceeds from disposal of subsidiaries	*44*	11,876	-
Advances to associates		(49,470)	(61,893)
Purchase of other investments		-	(6,867)
Proceeds from disposal of other investments		308	1,343
Purchase of property, plant and equipment	*45*	(147,589)	(192,747)
Purchase of land held for property development, investment properties, biological assets and other intangible assets		(51,616)	(4,997)
Proceeds from disposal of property, plant and equipment, investment properties and non-current asset held for sale		25,417	6,912
Distribution of profits from joint venture		4,988	6,296
Dividends received from associates		294,726	279,255
Dividends received from other investments		6,098	7,388
Income received from short-term fund placements		20,348	15,871
Interest received		20,117	18,062
Rental received		5,806	4,058
Net cash generated from/(used in) investing activities		133,533	(30,224)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued to a non-controlling interest of subsidiaries	9,664	-
Revolving credits, banker's acceptance and short-term loans	(181,041)	93,957
Bank term loans	(38,725)	27,622
Payment of hire purchase liabilities	(6)	(35)
Repayment to non-controlling interest of a subsidiary	-	(32,881)
Return of capital to non-controlling interest of a subsidiary	-	(2,495)
Interest paid	(24,997)	(30,999)
Dividends paid to owners of the parent	(296,375)	(284,520)
Dividends paid to non-controlling interests of subsidiaries	(6,793)	(9,711)
Net cash used in financing activities	(538,273)	(239,062)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(22,656)	99,962
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,196,309	1,079,040
EFFECTS OF EXCHANGE RATE CHANGES	3,550	17,307
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,177,203	1,196,309
Represented by:		
Cash and bank balances	205,471	278,240
Deposits	305,831	471,085
Short-term fund placements	666,959	447,018
Bank overdrafts	(1,058)	(34)
	1,177,203	1,196,309

The accompanying notes form an integral part of the financial statements

INCOME STATEMENT

For The Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Revenue	*3*	**387,550**	339,234
Cost of sales	*4*	**(22,791)**	(20,679)
Gross profit		**364,759**	318,555
Other income		**26,686**	78,901
Administrative expenses		**(21,692)**	(21,856)
Profit before tax	*6*	**369,753**	375,600
Tax expense	*7*	**(1,567)**	(4,927)
Profit for the year		**368,186**	370,673

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

	2016 RM'000	2015 RM'000
Profit for the year	**368,186**	370,673
<u>Other comprehensive income/(loss), net of tax</u>		
Items that will be subsequently reclassified to profit or loss		
Fair value gains/(losses) of available-for-sale financial assets	**12,568**	(90,994)
Total comprehensive income	**380,754**	279,679

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

As At 31 December 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	1,903	2,400
Investment properties	*10*	290,472	293,692
Investments in subsidiaries	*15*	1,495,414	1,456,109
Investments in associates	*16*	8,782,287	8,782,287
Other investments	*18*	419,046	406,477
Total non-current assets		10,989,122	10,940,965
Current assets			
Trade receivables	*24*	511	701
Other receivables, deposits and prepayments	*25*	3,054	2,622
Amounts due from subsidiaries	*20*	4,429	2,244
Amounts due from associates	*26*	6,391	6,105
Deposits	*28*	132,290	232,095
Short-term fund placements	*29*	519,657	388,655
Cash and bank balances		4,113	3,481
Total current assets		670,445	635,903
TOTAL ASSETS		11,659,567	11,576,868
EQUITY AND LIABILITIES			
Equity			
Share capital	*32*	1,185,500	1,185,500
Share premium		6,715	6,715
Fair value reserve		(313,218)	(325,786)
Retained earnings		10,761,202	10,689,391
Total equity		11,640,199	11,555,820
Non-current liability			
Deferred tax liabilities	*35*	595	705
Current liabilities			
Trade payables		591	1,179
Other payables and accruals	*37*	13,002	13,755
Amounts due to subsidiaries	*20*	5,104	5,103
Current tax liabilities		76	306
Total current liabilities		18,773	20,343
Total liabilities		19,368	21,048
TOTAL EQUITY AND LIABILITIES		11,659,567	11,576,868

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

	Note	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 January 2015		1,185,500	6,715	(234,792)	10,603,238	11,560,661
Other comprehensive loss		-	-	(90,994)	-	(90,994)
Profit for the year		-	-	-	370,673	370,673
Total comprehensive income/(loss)		-	-	(90,994)	370,673	279,679
Dividends paid to shareholders of the Company	*42*	-	-	-	(284,520)	(284,520)
At 31 December 2015		**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

The accompanying notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	369,753	375,600
Adjustments for non-cash items:		
Amortisation and depreciation	7,167	6,962
Property, plant and equipment and investment properties written off	24	1
Loss/(gain) on disposal of investment property	42	(52,981)
Bad and doubtful debts	(29)	23
Impairment of investments in a subsidiary	695	-
Surplus arising from liquidation of a subsidiary	(8)	(1,370)
Surplus arising from liquidation of an associate	-	(44)
Unrealised foreign exchange gain	(2)	(14)
Dividend income	(353,139)	(302,987)
Income from short-term fund placements	(17,077)	(12,974)
Interest income	(7,195)	(9,222)
Operating profit before working capital changes	231	2,994
Adjustments for working capital changes:		
Receivables	(353)	575
Payables	(1,343)	1,816
Cash (used in)/generated from operations	(1,465)	5,385
Tax paid	(1,905)	(4,456)
Net cash (used in)/generated from operating activities	(3,370)	929

STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	*45*	(221)	(256)
Purchase of investment properties		(3,334)	(3,161)
Proceeds from disposal of investment property		39	68,807
Proceeds from liquidation of a subsidiary		8	48,751
Proceeds from liquidation of an associate		-	1,560
Subscription of redeemable preference shares in a subsidiary		(40,000)	(68,830)
Subscription of additional shares of a subsidiary		-	(700)
Advances to subsidiaries		(2,183)	(1,978)
Advance to an associate		(3)	(1,039)
Dividends received from subsidiaries		68,565	38,278
Dividends received from associates		278,849	257,660
Dividends received from other investments		5,725	7,049
Income received from short-term fund placements		16,462	12,640
Interest received		7,665	8,466
Net cash generated from investing activities		331,572	367,247
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment to a subsidiary		-	(50)
Dividends paid		(296,375)	(284,520)
Net cash used in financing activities		(296,375)	(284,570)
NET INCREASE IN CASH AND CASH EQUIVALENTS		31,827	83,606
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		624,231	540,611
EFFECTS OF EXCHANGE RATE CHANGES		2	14
CASH AND CASH EQUIVALENTS CARRIED FORWARD		656,060	624,231
Represented by:			
Cash and bank balances		4,113	3,481
Deposits		132,290	232,095
Short-term fund placements		519,657	388,655
		656,060	624,231

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

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 1965.

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 2016:

Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRS 5, FRS 7, FRS 119 and FRS 134	Annual Improvements to FRSs 2012 – 2014 Cycle
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 101	Disclosure Initiative

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

2.3 Standards issued that are not yet effective

The Group and the Company have not applied the following Amendments to FRSs that have been issued by the MASB and relevant to their operations but are not yet effective:

Amendments to FRSs		Effective for financial periods beginning on or after
Amendments to FRS 107	Disclosure Initiative	1 January 2017
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued that are not yet effective (continued)

Amendments to FRSs		Effective for financial periods beginning on or after
Amendments to FRS 12	Annual Improvements to FRSs 2014 – 2016 Cycle	1 January 2017
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by MASB

The above Amendments to FRSs are not expected to have any significant financial impact on the Group and the Company.

Malaysian Financial Reporting Standards ("MFRS")

On 19 November 2011, the MASB issued a new approved accounting framework, i.e. Malaysian Financial Reporting Standards ("MFRS"). 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, the Group will quantify the financial effects arising from the differences between MFRS and the currently applied FRS. The majority of the adjustments required on transition are expected to be made, retrospectively, against opening retained earnings of the Group. Accordingly, the financial performance and financial position of the Group as presented in these financial statements for the year ended 31 December 2016 could be different if prepared in accordance with MFRS.

The Group and the Company will apply the following MFRSs, Amendments to MFRSs and IC Interpretation that have been issued by the MASB upon adoption of the MFRS framework:

New MFRSs, Amendments to MFRSs and IC Interpretation	
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 1 and MFRS 128	Annual Improvements to FRS Standards 2014 – 2016 cycle
Amendments to MFRS 140	Transfers of Investment Property
MFRS 16	Leases
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued that are not yet effective (continued)

The above MFRSs, Amendments to MFRSs and IC Interpretation are not expected to have any significant financial impact on the Group and the Company upon their initial application except for *MFRS 9, MFRS 15* and *MFRS 16* discussed as follows:

(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. The Group and the Company have yet to assess the full impact on adoption of *MFRS 9*, and intend to adopt *MFRS 9* no later than the accounting period beginning on or after 1 January 2018.

(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* may result in a difference in timing of revenue recognition as compared with current accounting policies. The Group and the Company have yet to assess the full impact on adoption of *MFRS 15*, and intend to adopt *MFRS 15* no later than the accounting period beginning on or after 1 January 2018.

(iii) 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 The Companies Act 2016 (the "CA 2016" or "Act")

The Minister of Domestic Trade, Co-operative and Consumerism had appointed 31 January 2017 as the date on which the CA 2016 came into operation except for Section 241 and Division 8 of Part III of the Act. As such the financial statements of the Company for the year ending 31 December 2017 will be prepared in accordance with the requirements of the CA 2016.

The financial statements disclosure requirements under CA 2016 (other than those under approved accounting standards) are different from the requirements under the previous Companies Act 1965. As such, the disclosure items in the financial statements of the Company for the year ending 31 December 2017 may differ from those disclosed in the financial statements for the current financial year.

2.5 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.

(a) <u>Critical judgement made in applying accounting policies</u>

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) Classification of investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed certain criteria based on *FRS 140 Investment Property* in making that judgement.

In making its judgement, the Group considers whether a property generates cash flows largely independently of other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property, but also to other assets used in the production and supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods and services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately.

If the portions could not be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting estimates and judgements (continued)

(a) Critical judgement made in applying accounting policies (continued)

(ii) *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 2.12 and 2.16.

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.

(iii) *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 accounts 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 required. The carrying amount of the Group's and Company's receivables at the end of the reporting period are disclosed in notes 20, 24, 25 and 26.

(iv) *Deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences and unutilised tax credits and tax losses to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences and tax credits and tax losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of the Group's deferred tax assets at the end of the reporting period is disclosed in note 19.

(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 to write off their costs to their residual values over their estimated useful lives. 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant accounting estimates and judgements (continued)

(b) Key sources of estimation uncertainty (continued)

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

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's 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 expected selling prices.

Inventories are reviewed on a regular basis and the Group will recognise an impairment loss for excess or obsolete inventories based primarily on historical trends and management estimates of expected and 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 on the Group's products, the Group might be required to reduce 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 a 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.

Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of 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.

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the subsidiaries, associates and joint venture and also choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Subsidiaries

In the Company's separate financial statements, 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 amount of the subsidiary disposed of is taken to the income statement.

2.7 Basis of consolidation

The consolidated financial statements incorporate 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 on 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 like 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 the non-controlling interests. The Company also attributes total comprehensive income to the owners of the Company and to the 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 values 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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. 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 a bargain purchase (i.e. "negative goodwill") will be recognised directly in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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 not 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.

In the Company's separate financial statements, 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 payments on behalf of the associate.

The results and reserves of associates or joint venture are accounted for in the consolidated financial statements based on audited/unaudited financial statements made up to the end of the financial year and 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 profit or loss.

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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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. 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.

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 other property, plant and equipment on a straight-line basis over their estimated useful lives. The depreciable amount is determined after deducting residual value from cost.

The principal annual rates used for this purpose are:

Land and buildings	2%	-	20%	or over the remaining period of lease
Plant and machinery	5%	-	33 ⅓%	
Motor vehicles	5%	-	25%	
Furniture, fittings, office and other equipment	10%	-	50%	

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

2.10 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Investment properties (continued)

(a) Measurement basis (continued)

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 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 appropriate, at the end of each reporting period.

2.11 Biological assets

Biological assets comprise primarily livestock and oil palms.

(a) Livestock

Livestock comprises broilers, pullets and layers parent stock and hatchable eggs. 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

The Group's plantation assets are mainly situated on freehold land. 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 the useful lives of the oil palms to be 25 years. Accordingly, they are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Development properties

Development properties are 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 on the statement of financial position 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.

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.

2.13 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 is the interest rate implicit in the lease, if this is determinable; if not, the Group's incremental borrowing rate is used.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Leases (continued)

(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.

2.14 Intangible assets

Intangible assets comprise primarily goodwill, computer software and film rights.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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 issue of the financial instrument.

(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. Management determines the classification of the financial assets as set out below upon initial recognition.

A regular way 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 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, trade and other receivables 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. Any gains or losses arising from impairment and through the amortisation process of loans and receivables are recognised in the income statement.

Known bad debts are written off and allowance is made for any receivables considered to be doubtful of collection.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (continued)

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

(i) Financial assets (continued)

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. Interest calculated for a debt instrument using the effective interest method is recognised in the income statement.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment. See note 2.23.

(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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (continued)

(d) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, commodity futures and options to hedge its risks associated with foreign currency and commodity price fluctuations.

On initial recognition, these 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 that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward contracts is determined by reference to current forward prices for contracts with similar maturity profiles. The fair value of futures, options and swap contracts is determined by reference to available market information and option valuation methodology. Where the quoted prices are not available, fair values are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedge item or transaction, the hedging instrument, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected to offset the changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. For cash flow hedge, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from other comprehensive income into profit or loss as a reclassification adjustment.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument has expired or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from other comprehensive income into profit or loss as a reclassification adjustment.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Engineering contracts

The Group's engineering contracts comprise substantially fixed price contracts and where their outcome can be reasonably estimated, revenue is 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, and for this purpose, only those costs that reflect actual contract work performed are included as costs incurred.

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.

Costs that relate directly to a contract and which are incurred in securing the contract are also included as part of contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

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).

2.17 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. Cost comprises the landed cost of goods purchased, and in the case of work-in-progress and finished goods, includes an appropriate proportion of factory overheads.

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.

2.18 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 customary.

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.

A component of the Group's business is classified as a discontinued operation when the operation has been disposed of or meets the criteria to be classified as held for sale, and such operation represents a separate major line of business or geographical area of operations.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share capital

Ordinary shares are recorded at nominal value and proceeds received in excess, if any, of the nominal value of shares issued are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares is accounted for as a deduction from share premium, if any, otherwise it is charged to the income statement.

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.

2.20 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 the sale of development properties is recognised on the percentage of completion method, where the outcome of the contract can be reliably estimated.

Revenue from engineering contracts represents the proportionate contract value on engineering contracts attributable to the percentage of contract work performed during the financial year.

Revenue from the sale of development properties represents the proportionate sales value of development properties sold attributable to the percentage of development work performed during the financial year.

(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.

2.21 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 recognised in profit or loss as a reclassification adjustment.

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 values 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.

2.22 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 that are expected to benefit from synergies of the business combination.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Impairment of non-financial assets (continued)

(a) Goodwill (continued)

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.

2.23 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Impairment of financial assets (continued)

(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 profit or loss 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.

2.24 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.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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.

On the statement of financial position, 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.

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.

2.27 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.

2.28 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

3. REVENUE

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Sales of agricultural produce, food-based products and other goods	**3,464,843**	3,278,999	**-**	-
Engineering contracts	**168,618**	236,624	**-**	-
Sale of development properties	**9,122**	13,551	**-**	-
Collections from cinema operations	**468,492**	434,670	**-**	-
Rental from leasing of investment properties	**36,971**	39,409	**34,411**	36,247
Waste management and other services rendered	**32,232**	37,673	**-**	-
Dividend income	**6,098**	7,388	**353,139**	302,987
	4,186,376	4,048,314	**387,550**	339,234

Included in the rental from leasing of investment properties is contingent rental amounting to RM0.7 million (2015: RM0.8 million) for the Group and the Company.

4. COST OF SALES

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Raw materials and consumables used	**2,265,469**	2,164,717	**-**	-
Finished goods purchased	**487,457**	448,146	**-**	-
Employee benefits expense	**152,580**	146,481	**4,662**	4,566
Depreciation and amortisation	**100,028**	93,719	**6,519**	6,576
Cost of film rights and rental	**168,690**	155,322	**-**	-
Rental of land and buildings	**59,894**	53,339	**-**	-
Others	**312,172**	415,258	**11,610**	9,537
	3,546,290	3,476,982	**22,791**	20,679

5. FINANCE COSTS

	Group	
	2016	2015
	RM'000	RM'000
Interest expense on:		
Banker's acceptance	**3,332**	4,338
Revolving credits	**1,279**	193
Bank term loans	**20,579**	25,180
Bank overdrafts	**179**	30
Hire purchase	**-**	1
Others	**1**	1
	25,370	29,743

NOTES TO THE FINANCIAL STATEMENTS

6. PROFIT BEFORE TAX

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax is stated after charging:				
Amortisation of other intangible assets	24,002	18,939	-	-
Auditors' remuneration				
- current year	1,068	1,077	83	83
- (over)/underprovision in prior year	(14)	5	-	-
Bad and doubtful debts	3,530	1,650	20	23
Depreciation				
- property, plant and equipment	116,686	107,535	716	483
- investment properties	4,877	4,738	6,451	6,479
- biological assets	219	209	-	-
Direct operating expenses				
- revenue-generating investment properties	25,359	23,742	24,955	23,366
- non-revenue generating investment properties	178	174	11	7
Directors' remuneration				
- Company's directors				
- fees	907	400	880	375
- other emoluments	5,131	7,568	2,604	5,210
- Subsidiaries' directors				
- fees	255	243	-	-
- other emoluments	14,375	12,859	-	-
Insurance premium for directors and officers	76	76	76	76
Foreign exchange loss				
- realised	9,315	8,794	-	-
- unrealised	15,007	12,032	-	-
Fair value loss on				
- derivative financial instrument	11,932	1	-	-
- financial assets at fair value through profit or loss	-	178	-	-
Loss on disposal of				
- a subsidiary	291	-	-	-
- property, plant and equipment	57	1,203	-	-
- investment property	60	-	60	-
- non-current asset held for sale	-	194	-	-
Impairment of				
- investment in a subsidiary	-	-	695	-
- assets held for sale	-	540	-	-
- investment in an associate	-	1,709	-	-
- goodwill	42	130	-	-

NOTES TO THE FINANCIAL STATEMENTS

6. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Operating leases				
- minimum lease payments for land and buildings	**46,749**	42,907	**1,284**	820
- minimum lease payments for equipment	**95**	641	**-**	-
- contingent rent	**14,004**	12,644	**-**	-
Assets written off				
- property, plant and equipment	**648**	1,475	**2**	1
- investment properties	**22**	-	**22**	-
- other intangible assets	**68**	131	**-**	-
- inventories	**79**	184	**-**	-
Inventories written down	**6,718**	4,297	**-**	-
Deficit arising from liquidation of an associate	**176**	6	**-**	-

and crediting:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Gross dividends from unquoted subsidiaries in Malaysia	**-**	-	**68,565**	38,278
Gross dividends from associates				
- quoted outside Malaysia	**-**	-	**277,149**	255,960
- unquoted in Malaysia	**-**	-	**1,700**	1,700
Gross dividends from other investments				
- quoted outside Malaysia	**5,897**	5,871	**5,725**	5,649
- quoted in Malaysia	**201**	1,517	**-**	1,400
Interest income	**19,260**	17,941	**7,195**	9,222
Income from short-term fund placements	**21,011**	16,310	**17,077**	12,974
Rental income	**5,806**	4,058	**-**	-
Allowance for doubtful debts written back	**1,062**	633	**49**	-
Bad debt recovered	**38**	-	**-**	-
Impairment written back				
- investment property	**47**	29	**-**	-
Foreign exchange gain				
- realised	**24,283**	49,926	**-**	6
- unrealised	**6,851**	10,560	**2**	14
Fair value gain on				
- derivative financial instruments	**55,423**	79,682	**-**	-
Surplus arising from liquidation of				
- a subsidiary	**8**	5,314	**8**	1,370
- an associate	**-**	44	**-**	44

NOTES TO THE FINANCIAL STATEMENTS

6. PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Gain on disposal of				
- a subsidiary	**175**	-	-	-
- financial assets at fair value through profit or loss	**7**	-	**-**	-
- available-for-sale financial assets	**-**	930	**-**	-
- property, plant and equipment	**2,287**	389	**-**	-
- investment properties	**18**	-	**18**	52,981
- non-current asset held for sale	**3,891**	373	**-**	-

Directors' remuneration does not include the estimated monetary value of benefits-in-kind as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Company's directors	**107**	112	**63**	63
Subsidiaries' directors	**253**	269	**-**	-

7. TAX EXPENSE

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Malaysian taxation				
Current	**94,914**	90,211	**1,732**	4,955
Deferred	**(2,463)**	8,199	**(91)**	7
	92,451	98,410	**1,641**	4,962
Foreign taxation				
Current	**9,374**	2,801	**-**	-
Deferred	**5,426**	1,896	**-**	-
	107,251	103,107	**1,641**	4,962
(Over)/Under provision in prior year				
Malaysian taxation				
Current	**(4,195)**	2,001	**(58)**	(23)
Deferred	**2,287**	(330)	**(16)**	(12)
Foreign taxation				
Current	**2,269**	225	**-**	-
Deferred	**(3,373)**	-	**-**	-
	104,239	105,003	**1,567**	4,927

The statutory tax rate applicable to the Company is 24% (2015: 25%).

NOTES TO THE FINANCIAL STATEMENTS

7. TAX EXPENSE (CONTINUED)

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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Accounting profit	**375,807**	385,635	**369,753**	375,600
Taxation at applicable tax rate	**89,557**	96,318	**88,741**	93,900
Tax effect arising from:				
Non-taxable income				
- exempt dividends	**(1,457)**	(1,841)	**(84,753)**	(75,747)
- income from short-term fund placements	**(5,043)**	(4,077)	**(4,098)**	(3,243)
- gain on disposal of land and buildings	**(1,255)**	(93)	**-**	(13,245)
- realised foreign exchange gain	**(1,065)**	(10,242)	**-**	-
- others	**(775)**	(6,619)	**(7)**	(358)
Expenses eligible for double deduction	**(401)**	(446)	**-**	-
Non-deductible expenses	**24,407**	11,757	**2,065**	1,034
Real property gains tax	**274**	2,650	**-**	2,650
Utilisation of reinvestment allowance	**-**	(31)	**-**	-
Utilisation of previously unrecognised tax losses	**(1,634)**	-	**(307)**	(29)
Withholding tax on undistributed profits of foreign associates	**3,672**	2,791	**-**	-
Deferred tax assets not recognised	**971**	12,940	**-**	-
(Over)/Under provision in prior year	**(3,012)**	1,896	**(74)**	(35)
	104,239	105,003	**1,567**	4,927

The Company is on the single tier income tax system; accordingly the entire retained earnings of the Company are available for distribution by way of dividends without incurring additional tax liability.

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	
	2016	2015
Attributable to owners of the parent (RM'000)	**1,044,993**	1,051,311
Number of ordinary shares in issue ('000)	**1,185,500**	1,185,500
Basic earnings per share attributable to owners of the parent (sen)	**88.2**	88.7

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings			Plant		Furniture, fittings, office	Capital	
	Freehold RM'000	Long leasehold RM'000	Short leasehold RM'000	and machinery RM'000	Motor vehicles RM'000	and other equipment RM'000	work-in-progress RM'000	Total RM'000
Group								
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)
Disposal via disposal of a subsidiary	-	(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 (to)/from non-current assets 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
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)
Disposal via disposal of a subsidiary	-	(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 (to)/from non-current assets 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

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings							
	Freehold RM'000	Long leasehold RM'000	Short leasehold RM'000	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
Group								
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
Cost/Valuation								
At 1.1.2015	**187,061**	**297,087**	**454,992**	**809,280**	**70,806**	**131,343**	**133,494**	**2,084,063**
Additions	495	2,898	27,902	33,068	14,990	15,858	74,633	169,844
Disposals	-	-	-	(1,859)	(6,856)	(129)	-	(8,844)
Exchange differences	-	-	26,234	28,592	447	805	8,121	64,199
Write-offs	-	-	(4,519)	(13,030)	(158)	(7,413)	(320)	(25,440)
Reclassifications	391	2,916	68,002	71,324	588	10,204	(153,425)	-
Transfer to non-current assets held for sale	-	(16,408)	-	(37,339)	-	-	-	(53,747)
Transfer to investment properties	(2,351)	-	-	-	-	-	-	(2,351)
Transfer from land held for property development	93	-	-	-	-	-	-	93
Transfer to other intangible assets	-	-	-	(154)	-	-	(4)	(158)
At 31.12.2015	**185,689**	**286,493**	**572,611**	**889,882**	**79,817**	**150,668**	**62,499**	**2,227,659**

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings			Plant		Furniture,	Capital	
		Long	Short	and	Motor	fittings, office and other	work-in-	
	Freehold	leasehold	leasehold	machinery	vehicles	equipment	progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Accumulated depreciation								
At 1.1.2015	**63,797**	**67,542**	**177,094**	**397,573**	**30,437**	**81,893**	**-**	**818,336**
Charge for the year	4,182	6,731	28,000	47,804	7,245	13,573	-	107,535
Disposals	-	-	-	(854)	(4,302)	(75)	-	(5,231)
Exchange differences	-	-	5,005	12,416	232	508	-	18,161
Write-offs	-	-	(4,411)	(12,204)	(70)	(7,280)	-	(23,965)
Transfer to non-current assets held for sale	-	(8,820)	-	(35,988)	-	-	-	(44,808)
Transfer to investment properties	(469)	-	-	-	-	-	-	(469)
At 31.12.2015	**67,510**	**65,453**	**205,688**	**408,747**	**33,542**	**88,619**	**-**	**869,559**
Accumulated impairment losses								
At 1.1.2015 / 31.12.2015	**476**	**-**	**523**	**-**	**-**	**430**	**-**	**1,429**
Net book value								
at 31.12.2015	**117,703**	**221,040**	**366,400**	**481,135**	**46,275**	**61,619**	**62,499**	**1,356,671**
- cost	117,703	220,814	366,400	481,135	46,275	61,619	62,499	1,356,445
- valuation	-	226	-	-	-	-	-	226
	117,703	221,040	366,400	481,135	46,275	61,619	62,499	1,356,671

Property, plant and equipment of the Group with net book value of approximately RM218.5 million (2015: RM211.4 million) has been charged to secure the long-term bank loan 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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Motor vehicles RM'000	Furniture, fittings, office and other equipment RM'000	Total RM'000
Cost			
At 1.1.2016	**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**
At 1.1.2015	1,765	3,698	5,463
Additions	-	256	256
Disposals	-	(37)	(37)
Write-offs	-	(14)	(14)
At 31.12.2015	1,765	3,903	5,668
Accumulated depreciation			
At 1.1.2015	586	2,248	2,834
Charge for the year	134	349	483
Disposals	-	(36)	(36)
Write-offs	-	(13)	(13)
At 31.12.2015	720	2,548	3,268
Net book value at 31.12.2015	1,045	1,355	2,400

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT PROPERTIES

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Cost/Valuation				
At 1 January	**311,341**	305,955	**327,408**	340,073
Additions	**3,830**	3,161	**3,334**	3,161
Disposals	**(346)**	(126)	**(204)**	(15,826)
Write-offs	**(206)**	-	**(52)**	-
Transfer from property, plant and equipment	**11,111**	2,351	**-**	-
Transfer to non-current assets held for sale	**(11,454)**	-	**-**	-
At 31 December	**314,276**	311,341	**330,486**	327,408
Accumulated depreciation				
At 1 January	**110,628**	105,421	**29,694**	23,215
Charge for the year	**4,877**	4,738	**6,451**	6,479
Disposals	**(265)**	-	**(123)**	-
Write-offs	**(184)**	-	**(30)**	-
Transfer from property, plant and equipment	**259**	469	**-**	-
Transfer to non-current assets held for sale	**(329)**	-	**-**	-
At 31 December	**114,986**	110,628	**35,992**	29,694
Accumulated impairment losses				
At 1 January	**4,882**	4,911	**4,022**	4,022
Write back	**(47)**	(29)	**-**	-
At 31 December	**4,835**	4,882	**4,022**	4,022
Net book value at 31 December	**194,455**	195,831	**290,472**	293,692
- cost	**188,398**	189,774	**290,472**	293,692
- valuation	**6,057**	6,057	**-**	-
	194,455	195,831	**290,472**	293,692
Fair value at 31 December	**894,791**	846,606	**477,480**	458,920

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

11. BIOLOGICAL ASSETS

	Group	
	2016	2015
	RM'000	RM'000
Plantation development expenditure		
(included under non-current assets)		
Cost		
At 1 January	**5,761**	5,340
Additions	**219**	421
At 31 December	**5,980**	5,761
Accumulated depreciation		
At 1 January	**2,397**	2,188
Charge for the year	**219**	209
At 31 December	**2,616**	2,397
Net book value at 31 December	**3,364**	3,364
Biological assets		
(included under current assets)		
Livestock at cost/net realisable value	**19,417**	20,769

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 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**
At 1 January 2015	4,513	263	14,494	19,270
Additions	-	-	4,749	4,749
Transfer from property development costs	3,587	-	14,132	17,719
Transfer to property, plant and equipment	(42)	-	(51)	(93)
At 31 December 2015	8,058	263	33,324	41,645

NOTES TO THE FINANCIAL STATEMENTS

13. GOODWILL

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At 1 January	**73,746**	73,876
Impairment of goodwill	**(42)**	(130)
At 31 December	**73,704**	73,746

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 2016 RM'000	Group 2015 RM'000
Film exhibition and distribution	**70,233**	70,233
Environmental engineering and utilities	**2,427**	2,469
Chemicals trading and manufacturing	**290**	290
Other operations	**754**	754
	73,704	73,746

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 10.00% (2015: 8.72%) per annum ("p.a."), based on the long-term average growth rate of the industry. A pre-tax discount rate of 14.92% (2015: 12.36%) 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

14. OTHER INTANGIBLE ASSETS

	Group	
	2016	2015
	RM'000	RM'000
Computer software *(included under non-current assets)*		
Cost		
At 1 January	14,850	13,394
Additions	1,631	1,415
Write-offs	(279)	(157)
Transfer from property, plant and equipment	44	158
Exchange differences	84	40
At 31 December	16,330	14,850
Accumulated amortisation		
At 1 January	11,888	10,423
Charge for the year	1,334	1,462
Write-offs	(211)	(26)
Exchange differences	86	29
At 31 December	13,097	11,888
Carrying amount as at 31 December	3,233	2,962
Film rights *(included under current assets)*		
Cost		
At 1 January	90,888	75,894
Additions	25,343	18,897
Rights expired	(9,890)	(3,903)
At 31 December	106,341	90,888
Accumulated amortisation		
At 1 January	78,713	65,139
Charge for the year	22,668	17,477
Rights expired	(9,890)	(3,903)
At 31 December	91,491	78,713
Carrying amount as at 31 December	14,850	12,175

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares at cost	1,496,753	1,456,753
Impairment loss on unquoted shares at cost	(1,339)	(644)
	1,495,414	1,456,109

The subsidiaries are listed in note 56.

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.

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Shares quoted outside Malaysia at cost	**8,080,369**	8,080,369	**8,684,629**	8,684,629
Unquoted shares at cost	**478,552**	446,151	**97,683**	97,683
	8,558,921	8,526,520	**8,782,312**	8,782,312
Impairment loss on unquoted shares	**(1,709)**	(1,709)	**(25)**	(25)
Group's share of post-acquisition reserves	**9,105,237**	8,288,967	**-**	-
	17,662,449	16,813,778	**8,782,287**	8,782,287
Market value of quoted shares	**13,059,712**	10,465,882	**13,059,712**	10,465,882

The Group's share of the current year's losses and accumulated losses of associates amounting to RM406,000 and RM1,717,000 (2015: RM342,000 and RM1,311,000) 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.

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

Wilmar International Ltd	**2016**	2015
	RM'000	RM'000
Non-current assets	**81,547,661**	80,338,324
Current assets	**87,149,329**	80,760,129
Non-current liabilities	**(23,160,703)**	(30,794,585)
Current liabilities	**(74,986,587)**	(63,104,181)
Net assets	**70,549,700**	67,199,687
Revenue	**171,580,610**	152,725,655
Profit for the year	**4,580,336**	4,192,974
Other comprehensive loss	**(2,375,967)**	(3,731,477)
Total comprehensive income	**2,204,369**	461,497

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:

	2016	2015
	RM'000	RM'000
Net assets	**70,549,700**	67,199,687
Proportion of ownership interest held by the Group	**18.6%**	18.6%
Group's share of net assets	**13,094,024**	12,465,542
Goodwill	**4,607,517**	4,413,891
Other adjustments		
- Non-controlling interests' share of associate's net assets	**(823,438)**	(758,520)
- Others	**(29,662)**	(21,533)
Carrying amount of the Group's interest in the associate	**16,848,441**	16,099,380

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group has received dividends from Wilmar International Ltd in the current financial year amounting to RM277.1 million (2015: RM256.0 million).

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

	2016 RM'000	2015 RM'000
Profit for the year	**283,202**	52,751
Other comprehensive income/(loss)	**1,292**	(9,030)
Total comprehensive income	**284,494**	43,721
Carrying amount of the Group's interests in associates	**814,008**	714,398

The associates are listed in note 57.

17. INVESTMENT IN JOINT VENTURE

	Group	
	2016 RM'000	2015 RM'000
Group's share of post-acquisition reserves	**65,418**	66,934

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

	2016 RM'000	2015 RM'000
Profit for the year	**4,841**	5,599
Total comprehensive income for the year	**4,841**	5,599

The joint venture is listed in note 58.

18. OTHER INVESTMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Classified as available-for-sale financial assets				
Shares quoted in Malaysia	**104,023**	118,825	**98,700**	112,700
Shares quoted outside Malaysia	**335,906**	307,634	**320,080**	293,511
Unquoted shares	**427**	427	**266**	266
	440,356	426,886	**419,046**	406,477
Classified as financial assets at fair value through profit or loss				
Shares quoted outside Malaysia	**-**	312	**-**	-
	440,356	427,198	**419,046**	406,477

NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED TAX ASSETS

	Group	
	2016	2015
	RM'000	RM'000
At 1 January	**5,644**	5,781
Exchange translation differences	**47**	21
Originating/(Reversal) during the year	**171**	(158)
Disposal of a subsidiary	**(3,091)**	-
At 31 December	**2,771**	5,644

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	
	2016	2015
	RM'000	RM'000
Tax effects of		
- Unabsorbed tax losses	**9,548**	8,373
- Unabsorbed capital allowances	**-**	6,238
- Excess of capital allowances over accumulated depreciation on property, plant and equipment	**(6,777)**	(8,967)
	2,771	5,644

Further, 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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Unabsorbed tax losses*	**55,460**	124,285	**9,913**	11,184
Unabsorbed capital allowances*	**53,781**	49,488	**-**	-
Excess of capital allowances over accumulated depreciation on property, plant and equipment	**(27,035)**	(22,131)	**-**	-
	82,206	151,642	**9,913**	11,184

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

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
- With no expiry	**93,233**	92,426	**9,913**	11,184
- Less than a year	**53**	-	**-**	-
- Within 1 to 5 years	**15,955**	81,347	**-**	-
	109,241	173,773	**9,913**	11,184

NOTES TO THE FINANCIAL STATEMENTS

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Amounts due from subsidiaries included under current assets

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

Amounts due to subsidiaries included under current liabilities

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

21. INVENTORIES

	Group	
	2016	2015
	RM'000	RM'000
Raw materials	**489,075**	551,957
Work-in-progress	**1,215**	1,481
Finished goods	**93,154**	100,310
Completed development properties	**13,295**	6,619
Sundry stores and consumables	**23,725**	21,843
	620,464	682,210

The amount of inventories carried at net realisable value is RM5.2 million (2015: RM4.3 million).

22. PROPERTY DEVELOPMENT COSTS

	Group	
	2016	2015
	RM'000	RM'000
Freehold land at cost/valuation	**130**	3,788
Development and construction costs	**4,834**	17,525
At 1 January	**4,964**	21,313
Development costs incurred during the year	**5,590**	13,406
Cost recognised in income statement during the year	**(7,251)**	(9,869)
Transfer from/(to) land held for property development	**3,001**	(17,719)
Transfer to inventories	**(6,304)**	(2,167)
At 31 December	**-**	4,964

NOTES TO THE FINANCIAL STATEMENTS

23. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS

	Group	
	2016	2015
	RM'000	RM'000
Aggregate contract expenditure incurred to-date	771,735	752,394
Attributable profit recognised to-date	80,671	85,625
	852,406	838,019
Progress billings to-date	(824,379)	(762,519)
	28,027	75,500
Gross amount due from customers	29,563	76,339
Gross amount due to customers	(1,536)	(839)
	28,027	75,500
Progress billings comprise:		
Progress billings		
- received	797,343	712,193
- receivable	13,304	39,831
Retention sums	13,732	10,495
	824,379	762,519

24. TRADE RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables	569,670	606,547	511	750
Allowance for doubtful debts	(9,587)	(13,000)	-	(49)
	560,083	593,547	511	701

Credit terms granted to customers normally range from 14 to 120 days.

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sundry receivables	69,980	67,663	2,102	995
Allowance for doubtful debts	(508)	(261)	(261)	(261)
	69,472	67,402	1,841	734
Interest receivables	612	1,469	567	1,320
Deposits	28,339	36,769	403	401
Prepayments	6,872	8,366	243	167
	105,295	114,006	3,054	2,622

NOTES TO THE FINANCIAL STATEMENTS

26. AMOUNTS DUE FROM/(TO) ASSOCIATES

Amounts due from associates included under current assets

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

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Trade balances	**6,514**	2,175	**-**	-
Non-trade balances				
-Interest bearing ranging from 0.72% to 4.25% (2015: 0.73% to 4.61%) p.a.	**189,587**	32,942	**6,388**	6,105
-Interest-free	**70,510**	180,120	**3**	-
	266,611	215,237	**6,391**	6,105
Allowance for doubtful debts	**(8,731)**	(8,731)	**-**	-
	257,880	206,506	**6,391**	6,105

The trade balances are expected to be settled within the normal credit periods. The non-trade balances can be recalled on demand.

Amounts due to associates included under current liabilities

The trade balances due to associates included under current liabilities are expected to be settled within the normal credit periods.

27. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group	
	2016	2015
	RM'000	RM'000
Assets designated at fair value through profit or loss		
- Forward contracts	**69**	423
- Futures contracts	**3,207**	13,806
	3,276	14,229
Liabilities designated at fair value through profit or loss		
- Forward contracts	**(55)**	(3)
- Futures and options contracts	**(5,166)**	(4,706)
	(5,221)	(4,709)

NOTES TO THE FINANCIAL STATEMENTS

28. DEPOSITS

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks				
- in Malaysia	**239,445**	385,834	**132,290**	232,095
- outside Malaysia	**66,386**	85,251	**-**	-
	305,831	471,085	**132,290**	232,095

The effective interest rates range from 0.13% to 6.70% (2015: 0.15% to 6.50%) 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 2.90% to 4.95% (2015: 3.25% to 4.95%) p.a..

30. CASH AND BANK BALANCES

Cash and bank balances of the Group include an amount of RM63.4 million (2015: RM54.4 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 1.95% to 2.10% (2015: 2.10% to 2.15%) p.a..

31. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2016	2015
	RM'000	RM'000
Leasehold land and building	**23,759**	7,588
Plant and machinery	**-**	1,146
	23,759	8,734

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

(i) 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.

(ii) Disposal of a leasehold land and building for a consideration of RM15.5 million pursuant to a sales and purchase agreement entered into on 29 December 2015 by a subsidiary. The disposal was completed on 31 May 2016.

(iii) Disposal of a leasehold land and building for a consideration of RM4.0 million pursuant to a resolution passed on 24 November 2015 by a subsidiary. The disposal was completed on 26 September 2016.

(iv) Disposal of plant and machinery of a subsidiary no longer in use in the ordinary course of business. The disposal was completed on 19 July 2016.

NOTES TO THE FINANCIAL STATEMENTS

32. SHARE CAPITAL

	2016 Number of shares '000	2016 RM'000	2015 Number of shares '000	2015 RM'000
Authorised:				
Ordinary shares of RM1 each	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid:				
Ordinary shares of RM1 each	1,185,500	1,185,500	1,185,500	1,185,500

33. OTHER NON-DISTRIBUTABLE RESERVES

	Group 2016 RM'000	Group 2015 RM'000
Revaluation reserve	39,511	40,477
Exchange translation reserve	3,099,410	2,729,110
Fair value reserve	9,442	(3,729)
Hedge reserve	(51,000)	(11,516)
Capital reserve	128,920	165,798
	3,226,283	2,920,140

Details of the capital reserve are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Share of capital reserves of associates	105,269	142,125
Share premium of subsidiaries arising from shares issued to non-controlling interests	23,651	23,651
Transferred from retained earnings arising from bonus issue by a subsidiary	-	22
	128,920	165,798

NOTES TO THE FINANCIAL STATEMENTS

34. LONG-TERM BANK BORROWINGS

	Group	
	2016	2015
	RM'000	RM'000
Secured:		
United States Dollar-denominated loans bearing interest at 2.25% p.a. above LIBOR (effective interest rate: 2.87% to 3.25% (2015: 2.50% to 2.86%) p.a.) repayable in instalments until 2018	**52,311**	75,995
United States Dollar-denominated loans bearing interest ranging from 2.0% p.a. above LIBOR (effective interest rate: 2.62% to 2.86% (2015: 2.30% to 2.61%) p.a.) repayable in instalments until 2020	**61,866**	69,132
Vietnamese Dong-denominated loans bearing interest ranging from 1.4% p.a. above cost of funds (effective interest rate: 6.65% p.a.) repayable in instalments until 2021	**2,164**	-
	116,341	145,127
Repayments due within the next 12 months included under short-term borrowings *(note 38)*	**(43,423)**	(33,957)
Repayments due after 12 months	**72,918**	111,170
The bank term loans are repayable as follows:		
- within one year *(included under current liabilities)*	**43,423**	33,957
- later than one year but not later than five years	**72,918**	111,170
	116,341	145,127

The long-term bank loans are secured by property, plant and equipment of the Group *(note 9)* at a carrying value of approximately RM218.5 million (2015: RM211.4 million) and a corporate guarantee by a subsidiary.

35. DEFERRED TAX LIABILITIES

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
At 1 January	**97,225**	85,313	**705**	710
Originating/(Reversal) during the year	**2,041**	11,782	**(110)**	(5)
Exchange translation differences	**-**	130	**-**	-
At 31 December	**99,266**	97,225	**595**	705

NOTES TO THE FINANCIAL STATEMENTS

35. DEFERRED TAX LIABILITIES (CONTINUED)

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

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Tax effects of				
- Excess of capital allowances over accumulated depreciation on property, plant and equipment	**72,401**	69,388	**595**	705
- Surplus on revaluation of land and buildings	**8,910**	11,344	**-**	-
- Unabsorbed capital allowances	**(253)**	(355)	**-**	-
- Unabsorbed tax losses	**(205)**	(214)	**-**	-
- Withholding tax on undistributed profits of foreign associates	**17,217**	13,682	**-**	-
- Unrealised gain on foreign exchange	**-**	5,112	**-**	-
- Other temporary differences	**1,196**	(1,732)	**-**	-
	99,266	97,225	**595**	705

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 24 months.

37. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Unpaid property, plant and equipment *(note 45)*	**21,655**	15,977	**-**	-
Interest accrued	**503**	130	**-**	-
Other payables	**35,708**	41,785	**658**	96
Accruals	**78,994**	76,931	**4,215**	4,815
Tenants and other deposits	**11,005**	11,663	**8,129**	8,844
	147,865	146,486	**13,002**	13,755

NOTES TO THE FINANCIAL STATEMENTS

38. SHORT-TERM BORROWINGS

	Group	
	2016	2015
	RM'000	RM'000
Unsecured:		
Banker's acceptance	**20,000**	91,000
Revolving credits	**84,072**	71,676
Short-term bank loans	**306,533**	419,034
	410,605	581,710
Secured:		
Current portion of long-term bank loans *(note 34)*	**43,423**	33,957
	454,028	615,667

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	
	2016 **% p.a.**	2015 % p.a.
Banker's acceptance	**3.25**	3.55 - 3.66
Revolving credits	**1.88 - 5.28**	1.87 - 5.21
Short-term bank loans	**1.30 - 9.50**	0.67 - 10.00

39. BANK OVERDRAFTS

	Group	
	2016	2015
	RM'000	RM'000
Unsecured bank overdrafts	**1,058**	34

The bank overdrafts bear interest at commercial rates which vary according to the banks' base lending rates. The effective interest rates applicable are between 6.60% and 7.95% (2015: between 6.60% and 7.85%) p.a..

40. EFFECT OF CHANGES IN GROUP STRUCTURE

	Group	
	2016	2015
	RM'000	RM'000
Effect of changes in equity interest in an associate		
- Retained earnings	**6,212**	128,478

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.

NOTES TO THE FINANCIAL STATEMENTS

42. DIVIDENDS

	Group/Company	
	2016	2015
	RM'000	RM'000
In respect of the financial year ended 31 December 2014		
Final single tier dividend of 16 sen per share	-	189,680
In respect of the financial year ended 31 December 2015		
Interim single tier dividend of 8 sen per share	-	94,840
Final single tier dividend of 17 sen per share	201,535	-
	201,535	94,840
In respect of the financial year ended 31 December 2016		
Interim single tier dividend of 8 sen per share	94,840	-
	296,375	284,520

Subsequent to the financial year end, the Directors recommended the payment of a final single tier dividend of 17 sen per share amounting to RM201.5 million subject to shareholders' approval at the forthcoming Annual General Meeting.

43. ACQUISITION OF SHARES IN A SUBSIDIARY

On 20 September 2016, CWM Group Sdn Bhd ("CWM"), a 100%-owned indirect subsidiary of the Group acquired the entire issued and paid-up share capital comprising 10,000 ordinary shares of RM1 each in Dinamik Cemerlang Sdn Bhd ("DCSB") for a total cash consideration of RM1.9 million. DCSB holds 30% equity interest in Cipta Wawasan Maju Engineering Sdn Bhd ("CWME"), an existing 70%-owned indirect subsidiary of the Group. The acquisition of DCSB did not constitute a new business. Upon the completion of the acquisition, both DCSB and CWME have become 100%-owned indirect subsidiaries of the Group.

The details of acquisition of additional interest in an existing subsidiary in 2015 are as follows:

Name of subsidiary	Cash consideration RM'000	Additional interest acquired %	Effective acquisition date
FFM Feedmills (Sarawak) Sdn Bhd	6,526	25.0	5 February 2015

The non-controlling interests acquired and the net cash outflow arising from the acquisition of shares in a subsidiary are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Non-controlling interests acquired	7,118	6,686
Current assets	355	-
Current liabilities	(4)	-
	7,469	6,686
Excess of net assets acquired over consideration paid	(5,569)	(160)
Consideration paid	1,900	6,526
Less: Cash and cash equivalents acquired	(355)	-
Net cash outflow on acquisition	1,545	6,526

NOTES TO THE FINANCIAL STATEMENTS

44. DISPOSAL OF SHARES IN SUBSIDIARIES

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

The details of disposals in 2016 are as follows:

Name of subsidiary	Disposal consideration RM'000	Group's equity interest disposed %	Effective disposal date
AWS Sales & Services Sdn Bhd	848	80.0	9 May 2016
* FFM Further Processing Sdn Bhd	13,563	70.0	4 October 2016

* Following the completion of the disposal, the financial results of FFM Further Processing Sdn Bhd have been accounted for as an associate *(note 57)*.

There was no subsidiary disposed of in 2015.

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

45. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Property, plant and equipment *(note 9)*	**163,132**	169,844	**221**	256
Interest expense capitalised	**-**	(90)	**-**	-
Deposits paid in prior year	**(21,419)**	(5,896)	**-**	-
Deposits paid in current year	**11,554**	21,419	**-**	-
Cash paid in respect of prior year acquisition	**15,977**	23,447	**-**	-
Unpaid balances included under other payables *(note 37)*	**(21,655)**	(15,977)	**-**	-
Cash paid during the financial year	**147,589**	192,747	**221**	256

46. LIQUIDATION OF SUBSIDIARIES

The subsidiaries which commenced liquidation during the year were Kembang Developments Sdn Bhd, SES Environmental Services Sdn Bhd, Solar Status Sdn Bhd and Zegwaard Bumianda Sdn Bhd.

The subsidiaries which commenced liquidation in 2015 were Affluence Trading Sdn Bhd and Cathay Theatres (Sarawak) Sdn Bhd.

An analysis of the liquidation is as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Total surplus assets and capital receivable from subsidiary liquidated during the year	**4,028**	49,626	**8**	48,888
Less:				
Cost of investment	**(3,384)**	(48,217)	**-**	(47,518)
Post-acquisition (profit)/loss previously consolidated	**(636)**	3,905	**-**	-
Surplus arising from liquidation	**8**	5,314	**8**	1,370

NOTES TO THE FINANCIAL STATEMENTS

47. 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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Transactions with subsidiaries				
Sale of an investment property	**-**	-	**-**	68,830
Rental income	**-**	-	**1,634**	1,671
Transactions with associates				
Interest income	**2,548**	384	**283**	258
Management fees income	**728**	836	**-**	-
Purchase of goods	**5,272**	5,215	**-**	-
Film rental income	**5,128**	750	**-**	-
Transactions with a subsidiary of the ultimate holding company				
Sales of goods	**6,136**	13,479	**-**	-
Transactions with subsidiaries of associates				
Purchase of goods	**174,625**	164,131	**-**	-
Sales of goods	**62,424**	61,092	**-**	-
Rental income	**3,500**	3,391	**-**	-
Security and other services expense	**3,463**	6,457	**-**	-
Charter hire of vessels	**56,403**	37,205	**-**	-
Supervision fees income	**2,535**	1,163	**-**	-
Marketing fees income	**2,248**	2,894	**-**	-
Project management fees income	**3,949**	5,124	**-**	-

Significant outstanding trade balances with related parties were as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Amounts owing by associates	**6,514**	2,175	**-**	-
Amounts owing to associates	**2,950**	584	**-**	-

All outstanding balances with related parties are expected to be settled within the normal credit period. None of the balances is secured.

NOTES TO THE FINANCIAL STATEMENTS

47. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Key management personnel compensation

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Directors				
Short-term employee benefits	**5,652**	7,619	**3,198**	5,322
Post-employment benefits				
- EPF	**493**	461	**349**	326
Sub-total	**6,145**	8,080	**3,547**	5,648
Other key management personnel				
Short-term employee benefits	**22,978**	19,900	**2,687**	2,378
Post-employment benefits				
- EPF	**1,996**	1,783	**423**	374
Sub-total	**24,974**	21,683	**3,110**	2,752
Total compensation	**31,119**	29,763	**6,657**	8,400

48. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Employee benefits expense	**315,892**	286,037	**19,067**	20,062
Post-employment benefits	**28,789**	25,618	**2,263**	2,063

49. CAPITAL COMMITMENTS

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Authorised capital commitments				
Property, plant and equipment and investment properties				
- contracted	**49,883**	65,880	**20,921**	4,173
- not contracted	**278,036**	232,671	**2,484**	3,740
	327,919	298,551	**23,405**	7,913

49. CAPITAL COMMITMENTS (CONTINUED)

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Other capital commitments				
- contracted	**72,870**	70,548	**-**	-
- not contracted	**-**	13,861	**-**	-
	72,870	84,409	**-**	-
Total capital commitments	**400,789**	382,960	**23,405**	7,913

50. 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 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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
- within one year	**34,770**	38,913	**151**	227
- later than one year but not later than five years	**14,305**	33,712	**-**	-
- later than five years	**761**	1,035	**-**	-
	49,836	73,660	**151**	227

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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
- within one year	**24,392**	26,882	**22,578**	24,426
- later than one year but not later than five years	**21,259**	22,530	**19,848**	21,713
	45,651	49,412	**42,426**	46,139

NOTES TO THE FINANCIAL STATEMENTS

51. 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 (2015: 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

Transactions between segments are entered into in the normal course of business and are established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

51. SEGMENTAL REPORTING (CONTINUED)

2016	Grains & agribusiness RM'000	Consumer products RM'000	Film exhibition & distribution RM'000
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	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

51. SEGMENTAL REPORTING (CONTINUED)

2015	Grains & agribusiness RM'000	Consumer products RM'000	Film exhibition & distribution RM'000
REVENUE			
External sales	2,596,678	590,709	435,571
Inter-segment sales	114,192	8	-
Total revenue	2,710,870	590,717	435,571
RESULTS			
Segment results	260,376	25,351	65,613
Share of associates' profits	6,801	434	8,009
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	2,236,349	498,179	313,522
Investments in associates	311,180	1,951	165,715
Investment in joint venture	-	-	-
Bank deposits and short-term fund placements			
Tax assets			
Unallocated corporate assets			
Consolidated total assets			
Segment liabilities	234,096	61,298	100,193
Borrowings			
Tax liabilities			
Unallocated corporate liabilities			
Consolidated total liabilities			
Capital expenditure	77,745	37,597	52,160
Unallocated corporate capital expenditure			
Amortisation and depreciation	53,826	14,634	51,718
Unallocated corporate amortisation and depreciation			
Non-cash items other than amortisation and depreciation	(12,056)	994	404
Write back of impaired investment property	-	-	-
Impairment of goodwill	-	-	-
Impairment of investment in an associate	1,709	-	-
Impairment of non-current asset held for sale	-	-	-
Unallocated corporate non-cash items other than amortisation and depreciation			

NOTES TO THE FINANCIAL STATEMENTS

Environmental engineering & utilities RM'000	Property RM'000	Investments in equities RM'000	Other operations RM'000	Elimination RM'000	Total RM'000
255,313	63,022	7,388	99,633	-	4,048,314
8	2,344	-	33,636	(150,188)	-
255,321	65,366	7,388	133,269	(150,188)	4,048,314
10,572	25,166	8,140	3,604	-	398,822
5,622	3,253	-	765,769	-	789,888
5,599	-	-	-	-	5,599
					17,941
					16,310
					(29,743)
					(17,695)
					1,181,122
					(105,003)
					1,076,119
170,840	311,631	427,198	145,197	(584)	4,102,332
48,588	178,934	-	16,107,410	-	16,813,778
66,934	-	-	-	-	66,934
					918,103
					13,523
					10,804
					21,925,474
96,903	23,376	-	14,293	(584)	529,575
					726,877
					112,325
					4,126
					1,372,903
894	3,821	-	2,381	-	174,598
					243
					174,841
2,192	4,683	-	3,963	-	131,016
					405
					131,421
(89)	(476)	(708)	(3,250)	-	(15,181)
-	(29)	-	-	-	(29)
130	-	-	-	-	130
-	-	-	-	-	1,709
-	-	-	540	-	540
					(543)
					(13,374)

NOTES TO THE FINANCIAL STATEMENTS

51. 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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Malaysia	**3,134,743**	3,154,520	**1,303,545**	1,313,800
Indonesia	**624,574**	546,180	**232,559**	226,477
Singapore	**44,610**	48,814	**314**	122
Other ASEAN countries	**359,432**	285,118	**176,465**	133,820
East Asia	**15,558**	5,829	**-**	-
Other Asian countries	**2,665**	1,291	**-**	-
European countries	**1,137**	1,850	**-**	-
America and Asia Pacific countries and others	**3,657**	4,712	**-**	-
	4,186,376	4,048,314	**1,712,883**	1,674,219

52. 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				
2016				
Other investments	-	440,356	-	440,356
Receivables	918,620	-	-	918,620
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	1,429,922	440,356	670,235	2,540,513

NOTES TO THE FINANCIAL STATEMENTS

52. 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				
2015				
Other investments	-	426,886	312	427,198
Receivables	936,093	-	-	936,093
Derivative financial assets	-	-	14,229	14,229
Deposits, cash and bank balances	749,325	-	-	749,325
Short-term fund placements	-	-	447,018	447,018
Total financial assets	1,685,418	426,886	461,559	2,573,863
Company				
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
2015				
Other investments	-	406,477	-	406,477
Receivables	11,496	-	-	11,496
Deposits, cash and bank balances	235,576	-	-	235,576
Short-term fund placements	-	-	388,655	388,655
Total financial assets	247,072	406,477	388,655	1,042,204

Financial liabilities	At amortised cost RM'000	At fair value through profit or loss RM'000	Total RM'000
Group			
2016			
Payables	374,105	-	374,105
Borrowings	528,004	-	528,004
Derivative financial liabilities	-	5,221	5,221
Total financial liabilities	902,109	5,221	907,330

52. 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			
2015			
Payables	521,615	-	521,615
Borrowings	726,877	-	726,877
Derivative financial liabilities	-	4,709	4,709
Total financial liabilities	1,248,492	4,709	1,253,201
Company			
2016			
Payables	**18,613**	**-**	**18,613**
Total financial liabilities	**18,613**	**-**	**18,613**
2015			
Payables	19,943	-	19,943
Total financial liabilities	19,943	-	19,943

(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:

<u>Other investments</u>

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

52. 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	Level 1 RM'000	Level 2 RM'000	Total RM'000
Group			
2016			
Other investments	439,929	-	439,929
Short-term fund placements	-	666,959	666,959
Forward contracts	-	69	69
Futures and options contracts	-	3,207	3,207
	439,929	670,235	1,110,164
2015			
Other investments	426,771	-	426,771
Short-term fund placements	-	447,018	447,018
Forward contracts	-	423	423
Futures and options contracts	-	13,806	13,806
	426,771	461,247	888,018
Company			
2016			
Other investments	418,780	-	418,780
Short-term fund placements	-	519,657	519,657
	418,780	519,657	938,437
2015			
Other investments	406,211	-	406,211
Short-term fund placements	-	388,655	388,655
	406,211	388,655	794,866

52. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments (continued)

Financial liabilities Group 2016	Level 1 RM'000	Level 2 RM'000	Total RM'000
Forward contracts	-	55	55
Futures and options contracts	-	5,166	5,166
	-	5,221	5,221
2015			
Forward contracts	-	3	3
Futures and options contracts	-	4,706	4,706
	-	4,709	4,709

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 nature or they are interest bearing.

It was not practical to estimate the fair value of the Group's and of 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.

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, price risk, credit risk and liquidity risk. 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.

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency exchange risk (continued)

A sensitivity analysis has been performed on the outstanding foreign currency denominated monetary items of the Group as at 31 December 2016. If the following foreign currencies were to strengthen or weaken by 5% against RM with all other variables held constant, the Group profit before tax would increase or decrease as follows:

	Group	
	2016	2015
	RM'000	RM'000
United States Dollar ("USD")	**7,965**	13,689
Chinese Renminbi	**11,389**	7,580

As other foreign currency denominated monetary items as at 31 December 2016 and 31 December 2015 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 or weaken by 5% against RM with all other variables held constant, the Group's equity would increase or decrease by RM626.6 million (2015: RM587.7 million).

(b) Interest rate risk

The Group is exposed to interest rate risk which is the risk that a financial instrument's value 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.

A sensitivity analysis has been performed based on the outstanding floating rate bank borrowings of the Group as at 31 December 2016. If interest rates were to increase or decrease by 50 basis points with all other variables held constant, the Group profit before tax would decrease or increase by RM2.6 million (2015: RM3.6 million), as a result of higher or lower interest expense on these borrowings.

A sensitivity analysis has been performed based on the carrying amount of the Group's and the Company's short-term fund placements and deposits as at 31 December 2016. If interest rates were to increase or decrease by 50 basis points with all other variables held constant, the Group's and the Company's profit before tax would increase or decrease by RM4.9 million and RM3.3 million (2015: RM4.6 million and RM3.1 million) respectively, as a result of higher or lower income earned from these placements.

(c) Price risk

The Group's exposure to price risk arises mainly from fluctuations in the prices of key raw materials. The Group manages this risk by using commodity futures and options to hedge its exposure.

At the reporting date, a 5% increase or decrease of the commodities price indices, with all other variables held constant, would have decreased or increased profit before tax and equity of the Group by RM9.2 million (2015: RM14.6 million).

NOTES TO THE FINANCIAL STATEMENTS

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Price risk (continued)

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.

A sensitivity analysis has been performed based on the quoted market prices of the Group's equity investments in quoted shares as at 31 December 2016. If the quoted market prices were to increase or decrease by 5% with all other variables held constant, the Group's and the Company's profit before tax and equity would increase or decrease by the amounts as shown below:

	Group		Company	
	Profit before tax RM'000	Equity RM'000	Profit before tax RM'000	Equity RM'000
2016				
Other investments	-	21,996	-	20,939
2015				
Other investments	16	21,323	-	20,310

(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 approvals by the board of directors and ongoing monitoring of credit quality of the associates.

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 RM41.7 million (2015: RM62.5 million) as at the end of the reporting period. The credit risk associated with trade receivables from this customer is mitigated by a charge on land valued at RM37.4 million (2015: RM45.5 million) and guarantees amounting to RM8.0 million (2015: RM8.0 million) pledged in favour of the subsidiary of the Group.

The Group seeks to invest its surplus cash prudently by depositing it with licensed banks and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

The ageing analysis of receivables which are trade in nature is as follows:

	Group		Company	
	Gross	Impairment	Gross	Impairment
	RM'000	RM'000	RM'000	RM'000
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	-
Included under receivables				
Trade receivables *(note 24)*	569,670	(9,587)	511	-
Amounts due from associates *(note 26)*	6,514	-	-	-
	576,184	(9,587)	511	-
2015				
Not past due	456,931	-	-	-
Less than 30 days past due	79,604	(6)	500	(6)
Between 30 and 90 days past due	37,449	(12)	91	(12)
More than 90 days past due	34,738	(12,982)	159	(31)
	608,722	(13,000)	750	(49)
Included under receivables				
Trade receivables *(note 24)*	606,547	(13,000)	750	(49)
Amounts due from associates *(note 26)*	2,175	-	-	-
	608,722	(13,000)	750	(49)

Movements in the allowance for doubtful debts of trade receivables are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	13,000	12,961	49	26
Doubtful debts recognised	1,576	1,137	-	23
Doubtful debts written off	(3,925)	(669)	-	-
Doubtful debts written back	(1,062)	(633)	(49)	-
Exchange translation differences	(2)	204	-	-
At 31 December	9,587	13,000	-	49

NOTES TO THE FINANCIAL STATEMENTS

53. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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
2016			
Payables	**374,105**	**-**	**374,105**
Borrowings	**466,129**	**75,194**	**541,323**
Derivative financial liabilities	**5,221**	**-**	**5,221**
	845,455	**75,194**	**920,649**
2015			
Payables	521,615	-	521,615
Borrowings	634,038	115,092	749,130
Derivative financial liabilities	4,709	-	4,709
	1,160,362	115,092	1,275,454
Company			
2016			
Payables	**18,613**	**-**	**18,613**
	18,613	**-**	**18,613**
2015			
Payables	19,943	-	19,943
	19,943	-	19,943

NOTES TO THE FINANCIAL STATEMENTS

54. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that it maintains a strong capital base and healthy capital ratios 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, retained earnings) and total debts, which include 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 years ended 31 December 2016 and 31 December 2015.

Total borrowings to capital ratio was as follows:

	Group	
	2016	2015
	RM'000	RM'000
Share capital	**1,185,500**	1,185,500
Reserves	**19,787,090**	18,731,477
Total capital	**20,972,590**	19,916,977
Short-term borrowings	**455,086**	615,701
Long-term borrowings	**72,918**	111,170
Hire purchase liabilities	**-**	6
Total borrowings	**528,004**	726,877
Total borrowings to capital ratio (times)	**0.03**	0.04

55. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Directors on 23 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

56. SUBSIDIARIES

The subsidiaries are as follows:

Companies	Group's equity interest 2016 %	2015 %	Country of incorporation	Principal activities
FFM Berhad	**80.0**	80.0	Malaysia	Investment holding, grains trading, flour milling, feed milling and bakery products manufacturing
Johor Bahru Flour Mill Sdn Bhd	**100.0**	100.0	Malaysia	Flour milling and 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
FFM Further Processing Sdn Bhd	**-**	100.0	Malaysia	Manufacturing and processing of nuggets, sausages and burgers
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

NOTES TO THE FINANCIAL STATEMENTS

56. SUBSIDIARIES (CONTINUED)

Companies	Group's equity interest 2016 %	2015 %	Country of incorporation	Principal activities
* 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 and trading of polyethylene and polypropylene woven bags
Tego Multifil Sdn Bhd	**100.0**	100.0	Malaysia	Dormant
* 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	Trading of flexible intermediate bulk container bags, polyethylene and polypropylene woven bags and fabrics
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
Kembang Developments Sdn Bhd	**100.0**	100.0	Malaysia	In member's voluntary winding up
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
Minsec Properties Berhad	**100.0**	100.0	Malaysia	Dormant
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**	100.0	Malaysia	In members' voluntary winding up
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

NOTES TO THE FINANCIAL STATEMENTS

56. SUBSIDIARIES (CONTINUED)

Companies	Group's equity interest 2016 %	2015 %	Country of incorporation	Principal activities
* 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**	-	Malaysia	Dormant
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**	100.0	Kingdom of Cambodia	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 management, property management and provision of marketing services
Peakland Property Management Sdn Bhd	**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**	-	Malaysia	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

56. SUBSIDIARIES (CONTINUED)

Companies	Group's equity interest 2016 %	2015 %	Country of incorporation	Principal activities
Cipta Wawasan Maju Engineering Sdn Bhd	**100.0**	70.0	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**	100.0	Malaysia	In members' voluntary winding up
* AWS Sales & Services Sdn Bhd	**-**	80.0	Malaysia	Disposed on 9 May 2016
Sitamas Environmental Systems Sdn Bhd	**70.0**	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
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 KVW 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*

NOTES TO THE FINANCIAL STATEMENTS

57. ASSOCIATES

The associates are as follows:

	Companies	Group's equity interest 2016 %	Group's equity interest 2015 %	Country of incorporation	Principal activities
	Shaw Brothers (M) Sdn Bhd	**34.0**	34.0	Malaysia	Property investment, investment holding and provision of management services
*	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
	Grenfell Holdings Sdn Bhd	**-**	49.7	Malaysia	Liquidated in 2016
	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
*	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")	**18.6**	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, and flour and rice milling
	FFM Further Processing Sdn Bhd	**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

NOTES TO THE FINANCIAL STATEMENTS

57. ASSOCIATES (CONTINUED)

Companies	Group's equity interest 2016 %	2015 %	Country of incorporation	Principal activities
* 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	Film production
Raintree Profits Sdn Bhd	**31.5**	31.5	Malaysia	Film production
Dream Talents Pictures Sdn Bhd	**35.0**	35.0	Malaysia	Film production
* 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.

NOTES TO THE FINANCIAL STATEMENTS

57. ASSOCIATES (CONTINUED)

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.

58. JOINT VENTURE

The joint venture is as follows:

	Proportion of ownership interest 2016 %	2015 %	Country of operation	Principal activities
* 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*

SUPPLEMENTARY INFORMATION

Realised and unrealised profits/(losses)

The following information has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

The retained profits/(accumulated losses) of the Group and the Company are analysed as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Total retained profits/(accumulated losses) of the Company and subsidiaries:				
- Realised	**13,022,777**	12,742,306	**10,761,797**	10,690,080
- Unrealised	**(98,796)**	(84,591)	**(595)**	(689)
	12,923,981	12,657,715	**10,761,202**	10,689,391
Total share of retained profits/ (accumulated losses) from associates:				
- Realised	**210,443**	151,631	**-**	-
- Unrealised	**(1,292)**	(1,543)	**-**	-
- Wilmar International Ltd *	**5,734,364**	5,265,268	**-**	-
Total share of retained profits from joint venture:				
- Realised	**10,028**	9,462	**-**	-
	18,877,524	18,082,533	**10,761,202**	10,689,391
Less: Consolidation adjustments	**(2,323,432)**	(2,277,911)	**-**	-
Total Group's and Company's retained profits as per accounts	**16,554,092**	15,804,622	**10,761,202**	10,689,391

* Wilmar International Ltd ("Wilmar") is not required to disclose the breakdown of realised and unrealised profits under the Singapore Financial Reporting Standards and Singapore Companies Act, Cap 50. As the breakdown is considered sensitive information, it would not be appropriate for Wilmar to selectively disclose such information to any particular shareholder.

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 94 to 180 are drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2016 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
23 March 2017

STATUTORY DECLARATION

Pursuant To Section 251(1) Of The Companies Act 2016

I, LEONG CHOY YING, 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 94 to 180 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.

LEONG CHOY YING

Subscribed and solemnly declared by the
abovenamed Leong Choy Ying
at Kuala Lumpur in the
Federal Territory on this
23rd day of March 2017

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 2016 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 94 to 180.

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 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 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 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) Goodwill

Refer to the significant accounting estimates and judgements (page 113) and disclosures of goodwill in note 13 (page 140) on the financial statements.

The risk:

Under FRS, the Group is required to test the amount of 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 the 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 to the financial statements as a whole and the related estimation uncertainty, this is considered a key audit risk.

This annual impairment test was significant to our audit because the management's assessment process was complex and highly judgemental and was based on assumptions.

INDEPENDENT AUDITORS' REPORT

To The Members Of PPB Group Berhad

Our response:

The management conducted a detailed assessment of the impairment of goodwill. Our audit procedures included, among others, the assessment of control over the Group's process in recognition and measurement of goodwill. We tested the key assumptions and variables used in the Group's value in use calculation, which include the reasonableness of cash flow projections and discount rate. We also focused on the adequacy of the Group's disclosures about the application of judgement in estimating cash-generating unit's cash flows and the assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

(b) Investments in associates

Refer to the significant accounting estimates and judgements (page 113) and disclosures of investments in associates in note 16 (page 142) on the financial statements.

The risk:

Under FRS, the Group is required to test the investments in associates for impairment if there is any indication of impairment. Further, any premium relating to associates is included in the carrying amount of the investments in associates and is not tested for impairment separately. Instead, the entire carrying amount of the investments in associates is tested for impairment. This was significant to our audit because the balance of RM17.7 billion as of 31 December 2016 is material to the financial statements. In addition, the management's assessment process was complex and highly judgemental and was based on assumptions. Estimating the value in use 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.

The Group accounted for its investments in associates using equity method. This was significant to our audit because the share of results of associates amounting to RM830.5 million for the year ended 31 December 2016 is material to the financial statements. The management recognised the Group's share of results of the associates based on audited/unaudited financial statements of the associates.

Due to the significance of the Group's interests in associates and the Group's share of results of associates to the financial statements as a whole and the related estimation uncertainty, this is considered a key audit risk.

Our response:

In respect of the carrying amount of investments in associates as disclosed in the consolidated statement of financial position, our audit procedures included the assessment of control over the Group's process in identifying indication of impairment of investments in associates and impairment testing. We tested the key assumptions and variables used in the Group's value in use calculation, especially those assumptions to which the outcome of the impairment test is most sensitive, including the reasonableness of cash flow projections and discount rate applied by the management.

In respect of the share of results of associates as disclosed in the consolidated income statement, our audit procedures included the assessment of control over the Group's process in measuring its share of results in the associates. We tested the Group's share of results of associates recognised with reference to the audited/unaudited financial statements of the associates. In addition, we have also assessed the reliability of the audited/unaudited financial statements of the associates and the audit work of the material associates' auditors.

INDEPENDENT AUDITORS' REPORT

To The Members Of PPB Group Berhad

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with FRS and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To The Members Of PPB Group Berhad

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

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

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

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

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 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, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 56 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

To The Members Of PPB Group Berhad

Other Reporting Responsibilities

The supplementary information set out on page 181 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266(1) 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

CHONG FAH YOW
No. 03004/07/2018 J
Chartered Accountant

Kuala Lumpur
23 March 2017

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 2016 were as follows :

	Group	Company
Audit fees	RM663,868	RM83,300
Non-audit fees	RM194,722	RM6,000

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 2016.

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 2016 pursuant to the shareholders' mandate obtained at the 47th Annual General Meeting are as follows :

Nature of transactions undertaken by PPB and/or its subsidiaries	Transacting party	Year 2016 Actual RM'000	Nature of relationship
Purchase of cooking oil, soyabean, doughfat, crude palm oil and soyabean meal from PGSB Group			
FFM Berhad ("FFM")* Group	PGSB Group	170,298	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	1,895	PGSB is a major shareholder of FFM.
Purchase of crude palm oil from Sapi			
FFM (Sabah) Sdn Bhd	Sapi Plantations Sdn Bhd ("Sapi")	4,327	Sapi is a wholly-owned subsidiary of PPB Oil Palms Berhad, a person connected with PGSB.

* FFM is an 80%-subsidiary of PPB.

ADDITIONAL COMPLIANCE INFORMATION

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

Nature of transactions undertaken by PPB and/or its subsidiaries	Transacting party	Year 2016 Actual RM'000	Nature of relationship
Charter hire of vessels from RSI			
FFM Group	Raffles Shipping International Pte Ltd ("RSI")	56,403	RSI is a 100%-owned subsidiary of Wilmar International Limited ("Wilmar"), a person connected with PGSB.
Sale of flour and pollard to Wilmar Group			
FFM Group	Wilmar Group	60,065	Wilmar is a person connected with PGSB.
Payment of advisory fee to WTC			
FFM Group	Wilmar Trading (China) Pte Ltd ("WTC")	483	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")	485	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")	6,136	Min Tien is a 51.92%-owned subsidiary of KBSB, a major shareholder of PPB.

PROPERTIES OWNED BY PPB GROUP BERHAD AND ITS SUBSIDIARIES

Location	Description of 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 31.12.2016 RM'000
STATE OF KEDAH								
Cathay Alor Setar No 1, 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	-	312
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	-	501,520 sq metres	-	Freehold	-	25,033
Lots 37-39, 50-51, 3131-3132, 3135, Mukim Ayer Puteh Mukim Pendang, Gurun	Poultry breeder farm & oil palm plantation	21.2.1995	20	103 hectares	43,633 sq metres	Freehold	-	9,477
STATE OF PENANG								
Lot 10005-10006, Mukim 01 Daerah Seberang Prai Tengah	Factory & office building leased out	28.4.1989	40	24,570 sq metres	7,209 sq metres	Leasehold	2111	7,822
Lot 10000, Mukim 01 Daerah Seberang Prai Tengah	Factory & warehouse building	25.11.1982	34	21,150 sq metres	10,320 sq metres	Leasehold	2111	10,096
Lot 10002, Mukim 01 Daerah Seberang Prai Tengah	Factory & warehouse building	10.2.1989	34	13,491 sq metres	8,652 sq metres	Leasehold	2111	21,849
Lot 10001, Mukim 01 Daerah Seberang Prai Tengah	Industrial land	4.11.1990	-	1,436 sq metres	-	Leasehold	2111	196
Odeon Penang No 130, Penang Road, 10000 Penang	Property leased out	16.4.1990	70	1,084 sq metres	1,213 sq metres	Freehold	-	435
		16.4.1990	-	281 sq metres		Leasehold	2038	58

PROPERTIES OWNED BY PPB GROUP BERHAD AND ITS SUBSIDIARIES

Location	Description of 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 31.12.2016 RM'000
STATE OF PENANG (CONTINUED)								
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 & 12.7.2013	10 -	2 hectares 264 sq metres	13,662 sq metres -	Freehold Freehold	- -	18,961
No 8-8A, 8B, 10, 10A, 12, 12A, 14, 14A, 16, 16A, 18, 18A, 20, 20A, 22, 22A, 22B & 22C, Beach Street, 10300 Penang No 2 & 4, Church Street, 10300 Penang	2 storey shophouses 2 storey shophouses	31.3.1981	> 50	2,526 sq metres	3,995 sq metres	Freehold	-	8,958
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	-	14,752
GM 59 Lot 3582 & GM 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	-	45,936
STATE OF PERAK								
Cathay Ipoh No 60, Jln Dato' Onn Jaafar, 30300 Ipoh	Property leased out	16.4.1990	60	3,949 sq metres	1,673 sq metres	Freehold	-	1,029
Lot 128266, Mukim Ulu Kinta Daerah of Kinta	Office building & warehouse	3.10.1991	23	8,018 sq metres	3,091 sq metres	Leasehold	2045	975
Lot 15518, Mukim Lumut Daerah of Manjung	Land leased out	28.12.1995	20	80,940 sq metres	-	Leasehold	2105	5,491
Lot 504, 523, 834-852, 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	18	220 hectares	47,606 hectares	Freehold	-	34,727
STATE OF SELANGOR								
Lot 64531, Lot 64532, Lot 142827, Mukim Klang, Daerah Klang	Factory, warehouse & vacant industrial land	6.6.1995	9 to 15	207,503 sq metres	81,624 sq metres	Leasehold	2097	164,800
Lots 2824-2827 & PT 45125 Mukim Sg Buloh, Daerah Petaling Jaya	Warehouse cum office & vacant industrial land	19.10.1993 1.6.1994	6 to 19	243,415 sq metres	13,177 sq metres	Freehold	-	64,262

PROPERTIES OWNED BY PPB GROUP BERHAD AND ITS SUBSIDIARIES

Location	Description of 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 31.12.2016 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	34	1,408 sq metres	4,907 sq metres	Freehold	-	2,536
Lot No PT 10989 & PT 10991, Jln SS24/10 & 24/8, Taman Megah, 47301 Petaling Jaya	Land leased out	16.4.1990	-	13,631 sq metres	-	Freehold	-	2,554
Lot 9, Jln Utas 15/7, 40000 Shah Alam	Office building	22.2.1993	46	33,946 sq metres	7,639 sq metres	Leasehold	2069	6,899
Lot 12, Persiaran Kemajuan, 16/16, 40000 Shah Alam	Office building	22.2.1993	28	11,458 sq metres	3,977 sq metres	Leasehold	2018	291
16/8A Jln Pahat, 40700 Shah Alam	Office building	1.1.2004	36	3,837 sq metres	1,237 sq metres	Leasehold	2067	586
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	263
Cheras LeisureMall Jln Manis 6, Taman Segar, Cheras, 56100 Kuala Lumpur	Shopping mall	9.3.1982	22	21,225 sq metres	70,488 sq metres	Leasehold	2077 & 2080	58,393
Cheras Plaza No 11, Jln Manis 1, Taman Segar, Cheras, 56100 Kuala Lumpur	Eight storey building & carpark	9.3.1982	30	5,130 sq metres	20,143 sq metres	Leasehold	2077	12,417
LA 79200014, Layang Layang Town, Labuan	Vacant Commercial building	16.4.1990	-	9,941 sq metres	3,228 sq metres	Leasehold	2091	967
STATE OF NEGERI SEMBILAN								
Lot 765 & 2100, Mukim of Linggi, District of Port Dickson	Poultry breeder farm	12.3.1992	24	678,481 sq metres	45,360 sq metres	Freehold	-	13,488
Lot 32565, Pekan Senawang, Daerah Seremban	Factory & office building	30.6.1996	25	38,209 sq metres	11,160 sq metres	Freehold	-	10,655
GSC Cineplex 2nd Floor, Terminal One Shopping Complex, 20B Jln Lintang, 70000 Seremban	Cineplex	26.2.1996	21	-	1,811 sq metres	Freehold	-	3,845

PROPERTIES OWNED BY PPB GROUP BERHAD AND ITS SUBSIDIARIES

Location	Description of 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 31.12.2016 RM'000
STATE OF MALACCA								
Lot 8419, Mukim of Krubong, District of Melaka Tengah	Warehouse & office building	8.9.2011	1	14,149 sq metres	4,028 sq metres	Leasehold	2107	10,342
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	-	858
Lot 66243, Mukim Plentong, Daerah Johor Bahru	Factory & office building	7.1.1989	32 to 40	36,891 sq metres	20,823 sq metres	Leasehold	2049	12,386
Lot 90518, Mukim Plentong, Daerah Johor Bahru	Factory leased out	10.10.1987 14.7.1988	20 to 28	121,490 sq metres	14,532 sq metres	Leasehold	2049 & 2050	19,908
Cathay Muar No 38, Jln Sayang, 84000 Muar	Property leased out	16.4.1990	60	1,623 sq metres	1,145 sq metres	Freehold	-	285
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	-	369
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	-	512
Plaza Cinema 1 & 2 F-126, 1st Floor, Holiday Plaza, Jln Dato Suleiman, 80250 Johor Bahru	Shoplot leased out	31.7.1992	27 & 28	-	3,751 sq metres	Freehold	-	10,255
Lot 973, Mukim of Tebrau, Johor Bahru	Warehouse & office building	15.7.1996	17	34,981 sq metres	4,342 sq metres	Freehold	-	8,619
Lot 66242, Mukim Plentong, Daerah Johor Bahru	Feedmill factory & office building	11.3.2014	27	22,673 sq metres	15,920 sq metres	Leasehold	2050	13,026
STATE OF PAHANG								
PT42762, Mukim Kuala Kuantan, Daerah Kuantan, Kuantan	Office building & warehouse	12.7.1997	18	7,810 sq metres	1,952 sq metres	Leasehold	2061	1,495

PROPERTIES OWNED BY PPB GROUP BERHAD AND ITS SUBSIDIARIES

Location	Description of 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 31.12.2016 RM'000
STATE OF KELANTAN								
Lot 5049 PT 4090, Mukim Panchor, Daerah Kemumin, Kota Bharu	Warehouse & office building	30.12.2001	10	14,166 sq metres	3,454 sq metres	Leasehold	2063	2,285
STATE OF SARAWAK								
Lot 2231, Pending Industrial Estate, Kuching	Factory & office building	13.11.1984 18.6.1987 15.3.1989	33	6,812 sq metres	4,292 sq metres	Leasehold	2040	3,473
Lot 2484 Block 8, Muara Tebas Land District, Kuching	Factory & office building	6.12.1999	13	21,350 sq metres	11,194 sq metres	Leasehold	2059	17,610
Lot 137 Block 5, Undup Land District, Sri Aman	Vacant agricultural land	9.3.1996	-	18,130 sq metres	-	Leasehold	2072	3
Lot 2484 Block 8, Muara Tebas Land District, Kuching	Warehouse & office building	17.5.2004	11	10,520 sq metres	3,135 sq metres	Leasehold	2064	3,097
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	360
Cathay Sibu C.D.T, No 6 Raminway, 96007 Sibu	Property leased out	16.4.1990	57	1,486 sq metres	1,801 sq metres	Leasehold	2110	662
STATE OF SABAH								
CL 015399818, Kolombong Industrial Est., Kota Kinabalu	Factory & office building	10.10.1989	24	10,927 sq metres	3,954 sq metres	Leasehold	2032	2,615
CL 015582233, Kota Kinabalu Industrial Park, Kota Kinabalu	Factory & office building	19.10.2006	6	12,096 sq metres	5,230 sq metres	Leasehold	2097	26,596
Lot 31, Industrial Zone 4, KKIP, Kota Kinabalu	Warehouse & office building	24.07.2006	10	9,955 sq metres	3,060 sq metres	Leasehold	2098	2,659
CL 075149325, Karamunting, Sandakan	Land for future development	10.8.1996	-	58,315 sq metres	-	Leasehold	2881	1,860
Cathay Sandakan Lot 2869, Third Street, 90007 Sandakan	Land leased out	16.4.1990	-	1,282 sq metres	-	Leasehold	2053	522
Lot 2777, TL 077508788, Lrg Gardenia & 60M North of KM 24, Jln Utara, Sandakan	Land for future development	16.4.1990	-	845 sq metres	-	Leasehold	2061	143
INDONESIA								
Jl.S.Gunungjati, LK.Lijajar Rt.13/06, Kelurahan Tegalratu Kecamatan Ciwandan, Kota Cilegon	Factory & office building	26.1.2007 3.4.2007	8	31,723 sq metres	71,160 sq metres	Leasehold	2037	140,561

STATEMENT OF SHAREHOLDINGS

As At 15 March 2017

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	1,025	11.43	21,206	0.00
100 - 1,000	2,384	26.58	1,502,358	0.13
1,001 - 10,000	3,844	42.87	15,802,479	1.33
10,001 - 100,000	1,370	15.28	42,801,458	3.61
100,001 to less than 5% of issued shares	342	3.81	484,485,562	40.87
5% and above of issued shares	3	0.03	640,886,819	54.06
Total	8,968	100.00	1,185,499,882	100.00

DIRECTORS' INTERESTS IN SHARES

	Direct Interest		Deemed Interest	
	No. of Shares	% of Issued Shares %	No. of 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 2017

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total	
Name of Substantial Shareholders	No. of Shares	% of Issued Shares %	No. of Shares	% of Issued Shares %	No. of 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	96,183,215	8.11	-	-	96,183,215	8.11

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors)

	Name of Shareholders	No. of Shares	% of Issued Shares %
1.	Kuok Brothers Sdn Berhad	472,711,372	39.87
2.	Citigroup Nominees (Tempatan) Sdn Bhd *For Employees Provident Fund Board*	95,292,515	8.04
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 *Exempt AN* *For Credit Suisse (SG BR-TST-Asing)*	33,793,828	2.85
7.	Kumpulan Wang Persaraan (Diperbadankan)	26,835,700	2.26
8.	Kuok Foundation Berhad	17,119,720	1.44
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN* *For Morgan Stanley & Co. International PLC (Client)*	16,333,802	1.38
10.	Amanahraya Trustees Berhad *For Amanah Saham Bumiputera*	15,296,700	1.29
11.	Amanahraya Trustees Berhad *For Amanah Saham Wawasan 2020*	14,899,600	1.26
12.	Amanahraya Trustees Berhad *For Amanah Saham Malaysia*	12,640,200	1.07
13.	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN* *For State Street Bank & Trust Company (West CLTOD67)*	12,621,710	1.06

STATEMENT OF SHAREHOLDINGS

As At 15 March 2017

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors) (CONTINUED)

	Name of Shareholders	No. of Shares	% of Issued Shares %
14.	HSBC Nominees (Asing) Sdn Bhd *BBH and Co Boston* *For Vanguard Emerging Markets Stock Index Fund*	10,573,408	0.89
15.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN* *For JPMorgan Chase Bank, National Association (U.S.A.)*	10,533,174	0.89
16.	Chinchoo Investment Sdn Berhad	10,184,100	0.86
17.	Cartaban Nominees (Asing) Sdn Bhd *GIC Private Limited* *For Government of Singapore (C)*	8,737,900	0.74
18.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt AN* *For UOB Kay Hian (Hong Kong) Limited (a/c Clients)*	8,308,546	0.70
19.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Dimensional Emerging Markets Value Fund*	7,408,566	0.63
20.	Amanahraya Trustees Berhad *For As 1Malaysia*	7,333,600	0.62
21.	Gaintique Sdn Bhd	5,933,300	0.50
22.	Ophir Holdings Berhad	5,841,754	0.49
23.	Key Development Sdn Berhad	5,000,000	0.42
24.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad* *For Public Ittikal Fund (N14011970240)*	5,000,000	0.42
25.	Cartaban Nominees (Tempatan) Sdn Bhd *PAMB* *For Prulink Equity Fund*	4,325,600	0.37
26.	Ang Poon Tiak	3,535,000	0.30
27.	Universiti Kebangsaan Malaysia	3,323,608	0.28
28.	Amanahraya Trustees Berhad *For Amanah Saham Didik*	2,945,500	0.25
29.	Key Development Sdn Berhad	2,630,700	0.22
30.	Shaw Vee Foong	2,513,328	0.21
		984,679,177	83.06

NOTICE OF ANNUAL GENERAL MEETING

Date/Time : Tuesday, 9 May 2017 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 48th 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, 9 May 2017 at 10.00 am for the following purposes :

AS ORDINARY BUSINESS

1. To receive the audited Financial Statements for the year ended 31 December 2016 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 17 sen per share in respect of the financial year ended 31 December 2016 as recommended by the Directors. (Resolution 1)

3. a) To approve an increase in Directors' fees for the financial year ended 31 December 2016. (Resolution 2)

   b) To approve the payment of Directors' benefits for the period from 31 January 2017 to 31 May 2018. *(See Explanatory Note 2)* (Resolution 3)

4. To re-elect/elect the following Directors pursuant to the Articles of Association of the Company :

   a) Mr Lim Soon Huat (Resolution 4)
   b) Encik Ahmad Riza bin Basir (Resolution 5)
   c) Tan Sri Datuk Oh Siew Nam (Resolution 6)

5. To re-appoint Mazars PLT as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 7)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions, with or without modifications :

6. **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 3) (Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

7. **Ordinary Resolutions**
   – **Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature with the following related parties :**

   a) persons connected to PGEO Group Sdn Bhd; and (Resolution 9)
   b) persons connected to Kuok Brothers Sdn Berhad. (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 18 April 2017. *(See Explanatory Note 4)*

8. **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 Circular to Shareholders dated 18 April 2017. *(See Explanatory Note 5)*

9. 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 2017 that subject to the approval of shareholders at the Annual General Meeting to be held on 9 May 2017, a final single tier dividend of 17 sen per share in respect of the financial year ended 31 December 2016 is payable on Thursday, 25 May 2017 to members whose names appear in the Record of Depositors on Monday, 15 May 2017.

A Depositor shall qualify for entitlement in respect of :

i) Shares transferred into the Depositor's securities account before 4.00 pm on Monday, 15 May 2017 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.

By Order of the Board
Mah Teck Keong
(MAICSA 0820976)
Company Secretary

Kuala Lumpur
18 April 2017

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.

NOTICE OF ANNUAL GENERAL MEETING

- 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 27 April 2017 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 2016

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 basis of fees payable to non-salaried Directors remains unchanged for financial year 2016 except for the proposed payment of a fee of RM500,000/- to the Chairman of the Board, who had not previously received any fees. Arising therefrom, the total fees payable to non-salaried Directors would amount to RM880,000/- for Directors who had served during the year.

The benefits comprise allowances and benefits-in-kind payable to the non-salaried Directors, of which the estimated value for the period from 31 January 2017 to 31 May 2018 is RM242,470/-.

SPECIAL BUSINESS

3) Authority to issue shares pursuant to the Companies Act 2016

At the AGM held in 2016, shareholders approved the renewal of a general authority to issue new ordinary shares in PPB pursuant to Section 132D of the Companies Act 1965. 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. 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 8, if passed, 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.

At this juncture, there is 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.

NOTICE OF ANNUAL GENERAL MEETING

4) 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 18 April 2017 despatched together with the Company's 2016 Annual Report.

5) 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 Circular to Shareholders dated 18 April 2017 despatched together with the Company's 2016 Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election/election are as follows :

a) Mr Lim Soon Huat
b) Encik Ahmad Riza bin Basir
c) Tan Sri Datuk Oh Siew Nam

An annual 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 pages 38 to 41 of the Annual Report.

Their interests in shares of the Company and its related corporations are disclosed in the Statement of Shareholdings on page 196 of the Annual Report.

PPB GROUP BERHAD (8167-W)

PROXY FORM

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 48th Annual General Meeting of the Company to be held on Tuesday, 9 May 2017 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 Mr Lim Soon Huat as a Director.		
5	To re-elect Encik Ahmad Riza bin Basir as a Director.		
6	To elect Tan Sri Datuk Oh Siew Nam as a Director.		
7	To re-appoint Mazars PLT as Auditors of the Company.		
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 proxy(ies) is/are as follows:

First Proxy	%
Second Proxy	%
Total	**100%**

Signed this.......................... day of 2017

Signature

NOTES :

a) 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.

b) 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.

c) 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.

d) 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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No.10 Jalan P Ramlee
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