Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Financial Position (Contd.)
As at 31 December 2016

		Group		Corporation	
		2016	**2015 (restated)**	**2016**	**2015 (restated)**
		RM'000	RM'000	RM'000	RM'000
Non-current Liabilities					
State government equity grant	16 (a)	75,228	75,228	75,228	75,228
State government contribution for equity participation	16 (b)	264,677	264,677	264,677	264,677
Development funds	17	129,490	140,737	114,438	125,686
Lease payables	18	69	106	-	-
Government term loans	19	8,507	8,725	8,507	8,725
Government grants	20	8,587	9,731	-	-
Operating grants		4,312	4,312	-	-
Deferred tax liabilities	21	11,730	10,109	-	-
Deferred income		153,396	159,787	71,284	76,337
Employee benefits	22	2,464	2,290	2,367	2,260
Other borrowings	23	-	24,865	-	-
		658,460	700,567	536,501	552,913
Current Liabilities					
Trade and other payables	24	35,701	36,281	6,233	7,369
Deferred income		4,567	-	-	-
Lease payables	18	37	40	-	-
Government term loans	19	218	2,710	218	2,710
Tax payable		3,099	387	-	178
		43,622	39,418	6,451	10,257
Total Equity and Liabilities		1,930,583	1,960,226	1,306,532	1,362,580

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Comprehensive Income
For The Year Ended 31 December 2016

		Group		Corporation	
		2016	**2015 (restated)**	**2016**	**2015 (restated)**
		RM'000	RM'000	RM'000	RM'000
Revenue	25	229,110	323,427	41,699	127,574
Cost of sales	25	(136,854)	(139,429)	(849)	(1,329)
Gross profit		92,256	183,998	40,850	126,245
Other operating income		67,761	53,187	18,131	17,417
Distribution costs		(887)	(536)	-	-
Administrative expenses		(82,705)	(78,338)	(19,020)	(18,942)
Other operating expenses		(84,487)	(104,657)	(75,396)	(27,305)
(Loss)/Profit from operations		(8,062)	53,654	(35,435)	97,415
Finance costs		(957)	(1,982)	(353)	(361)
Share of associates' results		33,025	44,121	-	-
Profit/(Loss) before taxation	26	24,006	95,793	(35,788)	97,054
Taxation	27	(5,419)	3,823	(42)	8,406
Profit/(Loss) after taxation		18,587	99,616	(35,830)	105,460
Non-controlling interest		(76)	37	-	-
Profit/(Loss) attributable to members		18,511	99,653	(35,830)	105,460

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2016

	← Non - distributable			→		
	Capital reserve RM'000	**Share premium** RM'000	**Revaluation reserve** RM'000	**Reserve on consolidation** RM'000	**Revenue reserve** RM'000	**Total** RM'000
Group						
At 31 December 2015 **(as previously stated)**	3,853	9,308	39,234	52,334	852,574	957,303
Effect of adopting MPERS	(85)	-	68,648	-	179,798	248,361
At 31 December 2015 **(as restated)**	3,768	9,308	107,882	52,334	1,032,372	1,205,664
Profit for the year	-	-	-	-	18,511	18,511
Arising on consolidation	-	-	1,325	12	(11,664)	(10,327)
At 31 December 2016	3,768	9,308	109,207	52,346	1,039,219	1,213,848

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Changes in Equity (Contd.)
For The Year Ended 31 December 2016

	← Non - distributable			→		
	Capital reserve	**Share premium**	**Revaluation reserve**	**Reserve on consolidation**	**Revenue reserve**	**Total**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
At 31 December 2014 **(as previously stated)**	3,853	9,308	35,971	52,321	681,763	783,216
Effect of adopting MPERS	(85)	-	68,648	-	99,034	167,597
At 1 January 2015 **(as restated)**	3,768	9,308	104,619	52,321	780,797	950,813
Profit for the year	-	-	-	-	170,811	170,811
Arising on consolidation	-	-	3,263	13	-	3,276
Effect of adopting MPERS	-	-	-	-	80,764	80,764
At 31 December 2015	3,768	9,308	107,882	52,334	1,032,372	1,205,664

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Statement of Changes in Equity
For The Year Ended 31 December 2016

	Revenue Reserve RM'000
Corporation	
At 31 December 2015 **(as previously stated)**	625,107
Effect of adopting MPERS	174,303
At 1 January 2016 **(as restated)**	799,410
Loss for the year	(35,830)
At 31 December 2016	763,580
At 31 December 2014 **(as previously stated)**	516,688
Effect of adopting MPERS	177,262
At 1 January 2015 **(as restated)**	693,950
Profit for the year	108,419
Effect of adopting MPERS	(2,959)
At 31 December 2015	799,410

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Cash Flows
For The Year Ended 31 December 2016

	Group	
	2016	**2015 (restated)**
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and non-controlling interest	24,006	95,793
Adjustment for:		
Amortisation of development expenditure	(4,096)	(4,096)
Allowance for diminution in investment	62,770	75,787
Allowance for doubtful debts, net of allowance no longer required	(9,853)	1,259
Amortisation of goodwill	13	13
Provision for impairment, net of reversal	21	12
Amortisation of government grants	(3,225)	(2,927)
Amortisation of investment properties	2,322	15
Bad debts written off	1,988	2,617
Depreciation	9,753	11,259
Dividend income	(27,609)	(30,835)
Loss on investment properties	(7,231)	-
Gain on disposal of other investments	(4)	(79,333)
Loss/(Gain) on disposal of property, plant and equipment	127	(16)
Impairment of property, plant and equipment	1,339	191
Interest expense	411	2,142
Interest income	(10,747)	(8,428)
Share of associates' result	(33,025)	(44,121)
Unrealised gain on foreign exchange	(1,324)	(2,803)
Operating profit before working capital changes	5,636	16,529
Increase in property development costs	(25,901)	(24,248)
Decrease/(Increase) in inventories	10,795	(8,726)
Decrease/(Increase)in receivables	24,178	(9,678)
(Decrease)/Increase in payables	(23,202)	9,563
Increase/(Decrease) in deferred income	668	(731)
Cash used in operation -c/f	(7,826)	(17,291)

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Cash Flows (Contd.)
For The Year Ended 31 December 2016

	Group	
	2016	**2015 (restated)**
	RM'000	RM'000
Cash flows from operating activities (contd.)		
Cash used in operation - b/f		
Interest paid	(411)	(2,142)
Interest received	10,245	8,428
Taxes paid	(2,141)	(2,445)
Net cash used in operating activities	(133)	(13,450)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(63,513)	(82,307)
Acquisition of investment	(1,913)	(2,199)
Advances/loan repaid to other investments	(3)	(676)
Advances/loan repaid from associates	571	4,372
Dividend received	27,603	8,523
Revaluation of other investment	42	(67)
Proceeds from disposal of other investments	127	96,000
Proceeds from disposal of property, plant and equipment	29,136	3,756
Upgrading of hotel property	(49)	(535)
Net cash (used in)/generated from investing activities	(7,999)	26,867
Cash flows from financing activities		
Drawdown of hire purchase and lease	-	57
Repayment of hire purchase and lease instalments	(36)	(29)
Drawdown of term loan	24,369	-
Repayment of term loan	(30,246)	(4,744)
Government grant received	(61)	58,225
Proceed of development fund	(9,838)	5,369
Net cash (used in)/generated from financing activities	(15,812)	58,878

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Consolidated Statement of Cash Flows (Contd.)
For The Year Ended 31 December 2016

	Group	
	2016	**2015 (restated)**
	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	(23,944)	72,295
Effect of translation adjustments	6	115
Cash and cash equivalents at beginning of year	353,289	280,879
Cash and cash equivalents at end of year	329,351	353,289
Analysis of cash and cash equivalents at end of year comprised:		
Cash and bank balances	71,417	135,151
Deposits with financial institutions	258,434	218,638
	329,851	353,789
Less: Deposit pledged to bank	(500)	(500)
	329,351	353,289

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Statement of Cash Flows
For The Year Ended 31 December 2016

	Corporation	
	2016	**2015 (restated)**
	RM'000	RM'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(35,788)	97,054
Adjustment for:		
Allowance for diminution in investment	62,778	7,594
(Reversal of allowance for)/Allowance for doubtful debts, net of allowance no longer required	(9,759)	277
Amortisation of development funds	(4,096)	(4,096)
Bad debts written off	1	8
Depreciation	1,623	1,025
Dividend income	(27,313)	(30,314)
Loss/(Gain) on disposal of property, plant and equipment	11	(10)
Gain on disposal of other investment	-	(79,333)
Interest expense	350	358
Interest income	(9,940)	(7,286)
Operating loss before working capital changes	(22,133)	(14,723)
Increase in property development cost	(25,902)	(24,248)
Decrease in inventories	854	109
Decrease/(Increase) in receivables	7,308	(7,681)
Decrease in payables	(1,029)	(2,582)
Cash used in operations	(40,902)	(49,125)
Interest paid	(350)	(358)
Interest received	9,438	7,079
Taxes paid	(439)	(1,197)
Net cash used in operating activities	(32,253)	(43,601)

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Statement of Cash Flows (Contd.)
For The Year Ended 31 December 2016

	Corporation	
	2016	**2015 (restated)**
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of investment in shares and unit trust	(1,786)	(1,500)
Acquisition of property, plant and equipment	(19,143)	(1,196)
Advances repaid from associates	571	-
Advances to other investment	(2)	(675)
Advances repaid from subsidiaries	77,967	26,175
Dividend received	27,314	30,314
Investment in subsidiaries	(89,923)	(37,100)
Proceeds from disposal of property, plant and equipment	31	12
Proceeds from disposal of other investment	-	96,000
Net cash (used in)/generated from investing activities	(4,971)	112,030
Cash flows from financing activities		
Repayment of government terms loans	(2,710)	(202)
(Disbursement)/Proceeds from development funds	(9,838)	5,369
Net cash (used in)/generated from financing activities	(12,548)	5,167
Net (decrease)/increase in cash and cash equivalents	(49,772)	73,596
Cash and cash equivalents at beginning of year	276,575	202,979
Cash and cash equivalents at end of year	226,803	276,575
Analysis of cash and cash equivalents at end of the year comprised:		
Cash and bank balances	15,592	110,795
Deposit with financial institutions	211,211	165,780
	226,803	276,575

The accompanying notes form an integral part of these financial statements

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

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1. Corporation information

The Corporation is principally engaged in activities related to tourism and leisure, agro-food, property development, community development, mineral and mining, commercial and socio-economic projects substantially through its investments in subsidiaries and associated companies.

The Corporation is established under the Perbadanan Pembangunan Ekonomi Sarawak Ordinance, 1972 (Sarawak Cap. 35). The registered office of the Corporation is located at 6th - 11th Floor, Menara SEDC, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak.

The financial statements were authorised for issue by the Board Members in accordance with a resolution of the Members on **31 July, 2017**.

2. Compliance with Financial Reporting Standards

The financial statement have been prepared in compliance with Malaysian Private Entities Reporting Standard (MPERS) issued by Malaysian Accounting Standards Board (MASB**).**

2.1 Transition to the new MPERS Framework

For the current year ended 31 December 2016, the Group and Corporation has adopted the new Malaysian Private Entities Reporting Standard ("MPERS"). The date of transition to the new MPERS Framework is 1 January 2015.

Adoption of the new MPERS Framework requires that all the Standards in MPERS be applied to the financial statements for the current year ended 31 December 2016, the comparative financial statements for the year ended 31 December 2015, and to the opening statement of financial position at the date of transition to MPERS. MPERS provides for some mandatory exceptions and non-mandatory exemptions to the retrospective application of some Standards.

2.2 Changes in Accounting Policies

Adoption of MPERS also requires that the Corporation and the Group change its accounting policies for the recognition and measurement of some items. The effect of adopting the new Standards in MPERS are discussed below:

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

2. Compliance with Financial Reporting Standards (Contd.)

2.2 Changes in Accounting Policies (Contd.)

At the date of transition to MPERS - 1 January 2015

Group

Items	Under PERS RM'000	Effect of Change RM'000	Under MPERS RM'000
Consolidated Statement of Financial Position			
Non-current Assets			
Property, plant and equipment	265,930	(11,620)	277,550
Hotel and investment properties	434,860	16,471	418,389
Investment in associates	231,803	5,801	226,002
Investments in other corporation	160,943	(257,058)	418,001
Current Assets			
Property development costs	16,945	8,051	8,894
Inventories	49,642	181	49,461
Trade and other receivables	61,328	(49,948)	111,276
Non-current Liabilities			
State government equity grant	-	80,159	80,159
State government contribution for equity participation	-	264,677	264,677
Development funds	-	120,318	120,318
Government grants	23,574	(1,236)	22,338
Deferred income	21,864	97,959	119,823
Current Liabilities			
Trade and other payables	39,568	117,373	156,941
Lease payables	24	(6)	18
Total Change		391,122	

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

2. Compliance with Financial Reporting Standards (Contd.)

2.2 Changes in Accounting Policies (Contd.)

At the date of transition to MPERS - 1 January 2015 (Contd.)

Group

Items	**Under PERS** RM'000	**Effect of Change** RM'000	**Under MPERS** RM'000
<u>**Consolidated Statement of Financial Position**</u>			
Equity			
State government equity grant	80,159	80,159	-
State government contribution for equity participation	264,677	264,677	-
Development funds	216,181	216,181	-
Reserves	783,216	(167,597)	950,813
Total Equity	1,344,233	393,420	950,813
<u>**Consolidated Statement of Comprehensive Income**</u>			
Other operating income	33,809	273,776	307,585
Administrative expenses	(70,089)	(106,179)	(176,268)
Total effect on reserves at transition date		167,597	

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

2. Compliance with Financial Reporting Standards (Contd.)

2.2 Changes in Accounting Policies (Contd.)

At the end of the previous reporting period - 31 December 2015

Group

Items	**Under PERS** RM'000	**Effect of Change** RM'000	**Under MPERS** RM'000
<u>Consolidated Statement of Financial Position</u>			
Non-current Assets			
Property, plant and equipment	336,047	31,005	305,042
Hotel and investment properties	435,395	(69,174)	504,569
Investment in associates	271,552	5,481	266,071
Investments in other corporation	147,215	(248,584)	395,799
Current Assets			
Property development costs	41,193	41,193	-
Inventories	58,368	181	58,187
Trade and other receivables	71,006	(5,496)	76,502
Non-current Liabilities			
State government equity grant	-	75,228	75,228
State government contribution for equity participation	-	264,677	264,677
Development funds	-	140,737	140,737
Lease payables	97	9	106
Government grants	73,403	(63,672)	9,731
Deferred income	21,133	138,654	159,787
Current Liabilities			
Trade and other payables	43,418	(7,137)	36,281
Lease payables	36	4	40
Total Change		303,106	

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

2. Compliance with Financial Reporting Standards (Contd.)

2.2 Changes in Accounting Policies (Contd.)

At the end of the previous reporting period - 31 December 2015 (Contd.)

Group

Items	Under PERS RM'000	Effect of Change RM'000	Under MPERS RM'000
Consolidated Statement of Financial Position			
Equity			
State government equity grant	75,228	75,228	-
State government contribution for equity participation	264,677	264,677	-
Development funds	213,860	213,860	-
Reserves	957,303	(248,361)	1,205,664
Total Equity	1,511,068	305,404	1,205,664
Consolidated Statement of Comprehensive Income			
Other operating income	44,863	8,324	53,187
Distribution costs	(540)	4	(536)
Administrative expenses	(78,259)	(79)	(78,338)
Other operating expenses	(25,250)	(79,407)	(104,657)
Total effect on reserves in year 2015		(71,158)	
Total effect on revaluation reserve		70,717	
Total effect on reserves at transition date		167,597	
		167,156	

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

2. Compliance with Financial Reporting Standards (Contd.)

2.2 Changes in Accounting Policies (Contd.)

At the date of transition to MPERS - 1 January 2015

Corporation

Items	**Under PERS** RM'000	**Effect of Change** RM'000	**Under MPERS** RM'000
Statement of Financial Position			
Non-current Assets			
Property, plant and equipment	78,808	(12,508)	91,316
Investment in subsidiaries	581,165	124,400	456,765
Investment in associates	53,306	5,801	47,505
Investments in other corporations	149,535	(256,979)	406,514
Current Assets			
Property development costs	8,051	8,051	-
Inventories	7,449	63	7,386
Trade and other receivables	12,688	(50,484)	63,172
Non-current Liabilities			
State government equity grant	-	80,159	80,159
State government contribution for equity participation	-	264,677	264,677
Development funds	-	120,318	120,318
Deferred income	-	82,908	82,908
Total Change		366,406	

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

2. Compliance with Financial Reporting Standards (Contd.)

2.2 Changes in Accounting Policies (Contd.)

At the date of transition to MPERS - 1 January 2015 (Contd.)

Corporation

Items	Under PERS RM'000	Effect of Change RM'000	Under MPERS RM'000
Statement of Financial Position			
Equity			
State government equity grant	80,159	80,159	-
State government contribution for equity participation	264,677	264,677	-
Development funds	201,130	201,130	-
Reserves	516,688	(177,262)	693,950
Total Equity	1,062,654	368,704	693,950
Statement of Comprehensive Income			
Other operating income	11,555	265,379	276,934
Other operating expenses	(11,618)	(88,117)	(99,735)
Total effect on reserves at transition date		177,262	

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

2. Compliance with Financial Reporting Standards (Contd.)

2.2 Changes in Accounting Policies (Contd.)

At the end of the previous reporting period - 31 December 2015

Corporation

Items	Under PERS RM'000	Effect of Change RM'000	Under MPERS RM'000
Statement of Financial Position			
Non-current Assets			
Property, plant and equipment	75,385	(37,875)	113,260
Investment in subsidiaries	586,821	129,301	457,520
Investment in associates	48,924	1,419	47,505
Investments in other corporations	135,043	(248,055)	383,098
Current Assets			
Property development costs	32,300	32,300	-
Inventories	7,339	63	7,276
Trade and other receivables	20,378	(56,968)	77,346
Non-current Liabilities			
State government equity grant	-	75,228	75,228
State government contribution for equity participation	-	264,677	264,677
Development funds	-	125,686	125,686
Government term loans	8,725	-	8,725
Deferred income	-	76,337	76,337
Employee benefits	2,260	-	2,260
Total Change		362,113	
Equity			
State government equity grant	75,228	75,228	-
State government contribution for equity participation	264,677	264,677	-
Development funds	198,809	198,809	-
Reserves	625,107	(174,303)	799,410
Total Equity	1,163,821	364,411	799,410

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

2. Compliance with Financial Reporting Standards (Contd.)

2.2 Changes in Accounting Policies (Contd.)

At the end of the previous reporting period - 31 December 2015 (Contd.)

Group

Items	Under PERS RM'000	Effect of Change RM'000	Under MPERS RM'000
Statement of Comprehensive Income			
Other operating income	9,286	8,131	17,417
Other operating expenses	(16,215)	(11,090)	(27,305)
Total effect on reserves in year 2015		(2,959)	
Total effect on reserves at transition date		177,262	
		174,303	

2.3 Early Adoption of the Amendments to MPERS

On October 2015, the MASB issued amendments to MPERS that are effective for financial statements beginning on or after 1 January 2017, with early application permitted. The Corporation has opted to early apply the Amendments for the current year ended 31 December 2016. The early adoption of the Amendments to MPERS has no effect on the financial statements of the Corporation and of the Group for the current year ended 31 December 2016 and the comparative year ended 31 December 2015.

3. Basis of Preparation

The financial statements have been prepared in accordance with Malaysian Private Entities Reporting Standard (“MPERS”) in Malaysia. The financial statements of the Corporation and of the Group have also been prepared on a historical cost basis, except for financial instruments that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia (“RM”).

Sarawak Economic Development Corporation
(Established under The Sarawak Economic Development Corporation Ordinance, 1972)

Notes to the Financial Statements - 31 December 2016

4. Significant Accounting Policies

4.1 Business Combinations and Consolidation

(i) Business Combinations

The Group applies the acquisition method to account for all business combinations. If the acquisition of an asset or a group of assets does not constitute a business, it is accounted for as an asset acquisition.

The Group identifies the acquisition date of a business combination as the date on which the Group obtains control of an acquiree. Control is obtained when the Group commences to have the power to direct financial and operating policy decisions of the investee so as to obtain benefits from its activities. This may require fulfilment of precedent conditions, such as completion of due diligence audit, and shareholders' approvals if they are specified in a sale and purchase agreement.

As of the acquisition date, the Group recognises, separately from goodwill, the identifiable assets acquired (including identifiable intangible assets), the liabilities assumed (including contingent liabilities) and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values, except for those permitted or required to be measured on other bases by MPERS. Non-controlling interest at the acquisition date is measured at its acquisition date share of net assets, excluding goodwill.

The cost of a business combination is measured at fair value, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Expenses incurred in connection with a business combination are capitalised in the cost of business combination.

The cost of a business combination is allocated to the share of net assets acquired to determine the initial amount of goodwill on combination. In a business combination achieved in stages (including acquisition of a former associate or a former joint venture), the cost of each exchange transaction is compared with the share of net assets to determine the goodwill of each exchange transaction on a step-by-step basis. Any increase in equity interest in an investee after the acquisition date is accounted as an equity transaction between the parent and the non-controlling interests and the effect is adjusted directly in equity.

If the initial accounting for a business combination is not complete by the end of reporting period in which the combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends after one year from acquisition date.

Sarawak Economic Development Corporation
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4. Significant Accounting Policies (Contd.)

4.1 Business Combinations and Consolidation (Contd.)

(ii) Subsidiaries and Basis of Consolidation

The Group recognises a subsidiary based on the criterion of control. A subsidiary is an entity (including special purpose entities) over which the Group has the power to govern the financial and operating policy decisions of the investee so as to obtain benefits from its activities. In circumstances when the voting rights are not more than half or when the voting rights are not dominant determinant of control, the Group uses judgements to assess whether it has de facto control, control by other arrangements (including control of special purpose entities), or by holding substantive potential voting rights.

The financial statements of the parent Corporation and all its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date of 31 December 2016. The consolidated financial statements are prepared using uniform accounting policies for like transactions, other events and conditions in similar circumstances.

The carrying amount of investment in each subsidiary of a parent in the Group is eliminated against the parent's portion of equity in each subsidiary. The consolidated financial statements combine like items of assets, liabilities, equity, income, expenses and cash flows of the Corporation and all its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition (which is the date the Group assumes control of an investee) or up to effective date of disposal (which is the date the Group ceases to have control of an investee).

All intra-group balances and transactions are eliminated in full on consolidation. Unrealised profits or losses arising from intra-group transactions are also eliminated in full on consolidation, except when an unrealised loss is an impairment loss.

When the Group ceases to control a subsidiary, the difference between the proceeds from the disposal of the subsidiary and its carrying amount at the date that control is lost is recognised in profit or loss in the statement of comprehensive income as a gain or loss on disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income is not reclassified to profit or loss on disposal of the subsidiary.

If the Group retains an equity interest in the former subsidiary, it is accounted for as a financial asset (provided it does not become an associate or a joint venture). The carrying amount of the investment retained at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of the financial asset.

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4. Significant Accounting Policies (Contd.)

4.1 Business Combinations and Consolidation (Contd.)

(ii) Subsidiaries and Basis of Consolidation (Contd.)

Any decrease in equity stake in a subsidiary that does not result in a loss of control is accounted for as an equity transaction and the financial effect is adjusted directly in the consolidated statement of changes in equity.

(iii) Associates

The Group recognises an associate based on the criterion of significant influence. Significant influence exists when the Group has the power to participate in the financial and operating policy decisions of the investee but has no control or joint control of those policies. This is normally (though not necessarily) accomplished when the Group, directly or indirectly through subsidiaries, holds 20 per cent or more of the voting rights of the investee.

When the Group's voting rights in an investee are less than 20 per cent, the Group assesses whether it has significant influence by examining all relevant facts and circumstances, including the existence of potential voting rights that are substantive, representation on the board of directors, participation in policy-making processes, material transactions between the Group and the investee, interchange of managerial personnel and provision of essential technical information.

The Group may sometimes hold an insignificant equity interest in an investee to cement a trading relationship and is represented on the board of directors of the investee. If the Group's representation on the board of directors is solely for the purpose of protecting the value of the investment rather than participation in the policy decisions, the investee is not classified as an associate.

The Group measures all investment in associates using cost method.

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Corporation, are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Corporation. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Corporation. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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4. Significant Accounting Policies (Contd.)

4.2 Goodwill

Goodwill and Bargain Purchase

The Group does not recognise internally generated goodwill.

In a business combination accounted for under the acquisition method, purchased goodwill is recognised as an asset as of the acquisition date, measured at the difference between cost of investment and share of net assets acquired. Non-controlling interests' share of goodwill is not recognised.

4.3 Property, Plant and Equipment and Depreciation

Operating tangible assets that are used for more than one accounting period in the production and supply of goods and services, for administrative purposes or for rental to others are recognised as property, plant and equipment when the Group obtains control of the assets. The assets, including major spares, servicing equipment and stand-by equipment, are classified into appropriate classes based on their nature. Any subsequent replacement of a significant component in an existing asset is capitalised as a new component in the asset and the old component is derecognised. All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use.

All property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. All other property, plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life.

Freehold land is stated at valuation less impairment losses. Valuation of the land is made by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the profit or loss to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to revenue reserve.

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4. Significant Accounting Policies (Contd.)

4.3 Property, Plant and Equipment and Depreciation (Contd.)

Long leasehold land, pasture development assets and construction work-in-progress are not depreciated. Short leasehold land is amortised over the period of the lease. All other property, plant and equipment are depreciated on a straight-line basis to write off the cost or valuation of the assets over their estimated useful life at the following principal annual rates:

Buildings and improvements	2% - 33 1/3%
Leasehold improvements	2% - 20%
Plant, machinery and equipment	2% - 33 1/3%

Crockery, glassware, cutlery and linen for subsidiaries involved in hotel operations are capitalised at the minimum level requirement for normal operation. Additions and replacements are written off in the year in which they are acquired.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to revenue reserve.

At the end of each reporting period, the residual values, useful lives and depreciation methods for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current period.

4.4 Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 4.14(g).

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

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4. Significant Accounting Policies (Contd.)

4.4 Land held for property development and property development costs (Contd.)

(ii) 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.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the profit or loss by using the completion method where the significant risks and rewards of ownership have been transferred to the buyer.

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

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

4.5 Hotel and investment properties

Hotel and investment properties comprise of hotel land, buildings and their integral plant and machinery.

Hotel and investment properties are stated at Members' valuation based on independent professional valuers' reports. Additions subsequent to the date of valuation are stated at cost. It is the policy to appraise the hotel and investment properties once in every five years or such shorter period when appropriate, based on open market valuation.

Surplus arising from revaluation is credited to revaluation reserve. Deficit in excess of the revaluation reserve arising from previous revaluation is recognised in profit or loss.

No depreciation is provided on hotel and investment properties. It is the Group's policy to maintain these properties in such condition that the residual value is at a level where depreciation would be insignificant. The related maintenance expenditure is dealt with in the profit or loss.

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4. Significant Accounting Policies (Contd.)

4.6 Inventories

Inventories are measured at the lower of cost and net realisable value (which is the estimated selling price less costs to complete and sell). Cost comprises purchase price and directly attributable costs of bringing the inventories to their present location and condition.

For items of inventory that are individually significant or are segregated for individual projects, cost is measured using the specific identification method. For homogeneous items of inventory, cost is determined by the weighted average cost formula. Net realisable value is determined on an item-by-item basis or on group of similar items basis.

Inventories are stated at the lower of cost and net realisable value with the exception of live stocks. Cost of other inventories include, where relevant, direct production expenses and overheads and is determined on a weighted average or first-in, first-out basis as appropriate.

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

With the exception of the foreign incorporated subsidiary, livestocks are stated at the lower of cost and net realisable value with weighted average cost being the basis for cost. Cost of livestocks comprises the original purchase price and estimated natural increase and herd appreciation plus incidentals in bringing the livestocks to their present location and condition. For the foreign subsidiary, livestocks are measured at fair value less estimated point-of-sale costs, in compliance with International Accounting Standard 41, Agriculture.

In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

4.7 Construction contracts

The Group's contract accounting is usually applied separately to each construction contract with a customer. However, when a contract covers a number of assets, the construction of each asset is treated as a separate contract when: (a) separate proposals have been submitted for each asset; (b) each asset has been subject to separate negotiation, and the contractor and customer are able to accept or reject that part of the contract related to each asset; and (c) the costs and revenues for each asset can be identified. Conversely, a group of contracts, whether with a single customer or with several customers, is treated as single construction contracts when: (a) the group of contracts is negotiated as a single package; (b) the contracts are so closely related that they are, in effect, part of a single project with an overall profit margin; and (c) the contracts are performed concurrently or in a continuous sequence.

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4. Significant Accounting Policies (Contd.)

4.7 Construction contracts (Contd.)

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by the proportion that costs incurred for work performed to date bear to the estimated total costs. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue on contract, the expected loss is recognised as an expense immediately, with a corresponding provision for an onerous contract.

When the aggregate of: (i) costs incurred; plus (ii) recognised progressive profit, less (iii) recognised foreseeable losses exceeds the progress billings to date of contract with customers, the excess is recognised and presented as a gross amount due from customers (a current asset). Conversely, when that aggregate is less than the progress billings, the shortfall is recognised and presented as a gross amount due to customers (a current liability).

4.8 Investments

Investments are stated at cost except where the Members are of the opinion that there is a permanent diminution in the value in which case, a provision is made for the diminution.

The investments are measured at fair value.

4.9 Plantation development expenditure

All expenditure incurred on new planting from land clearing to the point of maturity is capitalised under plantation development expenditure. Subsequent replanting expenditure and upkeep of trees is recognised in the profit or loss in the year in which the expenditure is incurred.

Plantation development expenditures are measured at cost.

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4. Significant Accounting Policies (Contd.)

4.10 Accounting for grants

A government grant is assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Grant received before the revenue recognition criteria are satisfied are recognised as deferred income. The Government Grants are measured at fair value.

The grant will be amortised based on useful life of grants.

4.11 Finance and Operating Leases

The Group recognises a lease whenever there is an agreement, whether explicitly stated as a lease or otherwise, whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Title may or may not eventually be transferred. All other leases that do not meet this criterion are classified as operating leases.

(i) Lessee Accounting

The Group capitalises the underlying leased asset and the related lease liability in finance lease. The amount recognised at the commencement date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lease are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are classified by nature and accounted for in accordance with applicable Standards in MPERS. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

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4. Significant Accounting Policies (Contd.)

4.11 Finance and Operating Leases (Contd.)

(ii) Operating leases

The Group does not capitalise the underlying leased asset or recognise a lease liability in an operating lease. Instead, lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

4.12 Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

4.13 Impairment of Non-Financial Assets

An impairment loss arises when the carrying amount of a Group's asset exceeds its recoverable amount. At the end of each reporting date, the Group assesses whether there is any indication that a stand-alone asset or a cash-generating unit may be impaired by using external and internal sources of information. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit.

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset. If an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and the value in use. The Group determines the fair value less costs to sell of an asset or a cash-generating unit in a hierarchy based on: (i) price in a binding sale agreement; (ii) market price traded in an active market; and (iii) estimate of market price using the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for periods beyond the five-year forecast or budget.

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4. Significant Accounting Policies (Contd.)

4.13 Impairment of Non-Financial Assets (Contd.)

For an asset measured on a cost-based model, any impairment loss is recognised in profit or loss.

For a cash-generating unit, any impairment loss is allocated to the assets of the unit pro rata based on the relative carrying amounts of the assets.

The Group reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognised previously may have reversed. Any reversal of impairment loss for an asset carried at a cost-based model is recognised in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously.

4.14 Financial Instruments

(a) Initial Recognition and Measurement

The Group recognises a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets and financial liabilities are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(b) Derecognition of Financial Instruments

A financial asset is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Group acts only as a collection agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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4. Significant Accounting Policies (Contd.)

4.14 Financial Instruments (Contd.)

(b) Derecognition of Financial Instruments (Contd.)

For this purpose, the Group considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate differs by 10% or more when compared with the carrying amount of the original liability.

(c) Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, the Group classifies financial assets into two categories, namely: (i) financial assets at fair value through profit or loss; and (ii) financial assets at amortised cost. After initial recognition, investments in ordinary shares are measured at their fair values by reference to the active market prices, if observable, or otherwise by a valuation technique, without any deduction for transaction costs it may incur on sale or other disposal.

Investments in debt instruments, whether quoted or unquoted, are subsequently measured at amortised cost using the effective interest method. Investments in unquoted equity instruments and whose fair value cannot be reliably measured are measured at cost. Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 4.14 (g).

(d) Subsequent Measurement of Financial Liabilities

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

(e) Fair Value Measurement of Financial Instruments

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique using reasonable and supportable assumptions.

(f) Recognition of Gains and Losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise. For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

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4. Significant Accounting Policies (Contd.)

4.14 Financial Instruments (Contd.)

(g) Impairment and Uncollectibility of Financial Assets

At the end of each reporting period, the Group examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidences of trigger loss events include: (i) significant difficulty of the issuer or obligor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) granting exceptional concession to a customer; (iv) it is probable that a customer will enter bankruptcy or other financial reorganisation; (v) the disappearance of an active market for that financial asset because of financial difficulties; or (vi) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss and a corresponding amount is recorded in a loss allowance account. Any subsequent reversal of impairment loss of the financial asset is reversed in profit or loss with a corresponding adjustment to the loss allowance account, subject to the limit that the reversal should not result in the revised carrying amount of the financial asset exceeding the amount that would have been determined had no impairment loss been recognised previously.

For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is any indication of impairment. Individually significant receivables for which no impairment loss is recognised are grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Group’s experience of loss ratio in each class, taking into consideration current market conditions.

For an unquoted equity investment measured at cost less impairment, the impairment is the difference between the asset’s carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Group expects to receive for the asset if it were sold at the reporting date. The Group may estimate the recoverable amount using an adjusted net asset value approach.

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4. Significant Accounting Policies (Contd.)

4.15 Revenue Recognition and Measurements

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and services

Revenue from sale of goods and provision of services is recognised when goods are sold or services are rendered.

(ii) Dividend Income

Dividend income is recognised when the shareholders' right to receive payment is established.

(iii) Sale of properties

Revenue from sale of properties is accounted for by completion method as described in Note 25.

(iv) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 4.7.

4.16 Tax Assets and Tax Liabilities

A current tax for current and prior periods to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceed the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability (asset) is measured at the amount the Group expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes.

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4. Significant Accounting Policies (Contd.)

4.16 Tax Assets and Tax Liabilities (Contd.)

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affect neither accounting profit nor taxable profit (or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying property, plant and equipment.

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Unused tax credits do not include unabsorbed reinvestment allowances and unabsorbed investment tax allowances because the Group treats these as part of initial recognition differences.

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. For an investment property measured at fair value, the Group does not have a business model to hold the property solely for rental income, and hence, the deferred tax liability on the fair value gain is measured based on the presumption that the property is recovered through sale at the end of the reporting period.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expense in profit or loss for the period. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

4.17 Employee Benefits

The Group recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Group consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.

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4. Significant Accounting Policies (Contd.)

4.17 Employee Benefits (Contd.)

(i) Short term benefits

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

Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Employee entitlements that are expected to be settled within one year have been measured at their nominal value.

(ii) Defined contribution plans

As required by law, the Group's local subsidiaries make contributions to the Employees Provident Fund. In addition, the Corporation also contributes to the Pension Scheme. Such contributions are recognised as an expense in the profit or loss as incurred.

4.18 Finance Costs

Finance costs of the Group include interest on loans, finance lease liabilities and interest expense of other debt instruments calculated using the effective interest method. All borrowing costs are recognised as an expense when incurred.

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4. Significant Accounting Policies (Contd.)

4.19 Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies during the financial year are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling at that date.

Foreign currency term loan at the reporting date is translated into Ringgit Malaysia at the rates of exchange approximating those ruling at that date. Exchange gains and losses arising from the translation of long term foreign currency term loan is deferred and amortised on a straight-line basis over the term of the loan. Other exchange gains and losses have been dealt with in the profit or loss.

(ii) Financial statements of foreign operations

The Group's foreign operations are considered an integral part of its local subsidiary's operations. Accordingly, the assets and liabilities of the foreign operations, including goodwill arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in the profit or loss.

(iii) Financial statements of foreign operations

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2016 RM	2015 RM
1 Australian Dollar	3.24	3.13
1 United States Dollar	4.49	4.29

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5. Critical Judgements and Estimation Uncertainty

5.1 Judgements and Assumption Applied

In the selection of accounting policies of the Group, the areas that require significant judgements and assumptions are in:

(a) Classification of Finance and Operating Leases

The Group classifies a lease as a finance lease or an operating lease based on criterion of the extent to which significant risks and rewards incidental to ownership of the underlying asset lie. As a lessee, the Group recognises a lease as a finance lease if it is exposed to significant risks and rewards incidental to ownership of the underlying asset. In applying judgements, the Group considers whether there is significant economic incentive to exercise a purchase option or any optional renewal periods.

A lease is classified as a finance lease if the lease term is for at least 75% of the economic life of the underlying asset, the present value of lease payments is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used substantially by the lessee. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

5.2 Estimation Uncertainty

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties of the Group are in measuring: (a) value-in-use of non-financial assets in impairment testing; (b) loss allowances of financial assets; (c) depreciation of property, plant and equipment; (d) measurement of revenue and expenses in construction contracts and property development projects; and (e) measurement of income taxes.

(a) Determining the Value-in-Use

In determining the value-in-use of a stand-alone asset or a cash-generating unit, management uses reasonable and supportable inputs about sales, costs of sales and other expenses based upon past experiences, current events and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discount rate(s).

The actual outcome or event may not coincide with inputs or assumptions and the discount rate applied in the measurement, and this may have a significant effect on the Group's financial position and results.

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5. Critical Judgements and Estimation Uncertainty (Contd.)

5.2 Estimation Uncertainty (Contd.)

(b) Loss Allowances of Financial Assets

The Corporation and the Group recognises impairment losses for loans and receivables using the incurred loss model. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable.

All other loans and receivables are categorised into credit risk classes and tested for impairment collectively, using the Corporation and the Group's past experiences of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowances made and these may affect the Group's financial position and results.

(c) Depreciation of Property, Plant and Equipment

The cost of an item of property, plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of property, plant and equipment.

(d) Measurement of revenue and expenses in construction and property development projects

The Corporation and the Group applies percentage of completion method to account for all of its construction contracts with customers and most of its property development projects. The method requires reliable estimation of future outcomes that invariably must rely on estimates of stage of completion, future revenue, future costs and collectability of progress billings. Internal budgets and forecasts are used in these estimates. The actual outcome will only be known when a contract or development project is completed and all units sold to customers and this actual outcome may not coincide with the estimates made.

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5. Critical Judgements and Estimation Uncertainty (Contd.)

5.2 Estimation Uncertainty (Contd.)

(e) Measurement of Income Taxes

The Corporation and the Group operate in various jurisdictions and are subject to the income taxes in each jurisdiction. Significant judgement is required in determining the Corporation and the Group's provision for the current and deferred taxes because the ultimate tax liability for the Corporation and the Group as a whole is uncertain. When the final outcome of taxes payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Corporation and the Group will adjust for the differences as over-or under-provision of current or deferred taxes in the current period in which those differences arise.

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6. Property, plant and equipment

Property, plant and equipment

Group	Freehold land/long leasehold land	Short leasehold land	Buildings and improvements	Plant machinery and equipment	Leasehold improvement	Capital and construction work in progress	Pasture development costs	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation								
At 1 January 2016	89,436	13,827	160,960	191,077	65,158	70,674	2,412	593,544
Addition	276	5,384	19,996	4,159	834	61,420	-	92,069
Reclassification	(1,074)	(879)	(7,695)	5	-	-	-	(9,643)
Disposals	(26,732)	(32)	(3,260)	(3,065)	(1,954)	-	-	(35,043)
Exchange difference	2,328	-	111	264	460	-	-	3,163
At 31 December 2016	64,234	18,300	170,112	192,440	64,498	132,094	2,412	644,090
Accumulated depreciation								
Charge for 2015	365	390	3,435	5,938	1,131	-	-	11,259

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6. Property, plant and equipment (Contd.)

Group	Freehold land/long leasehold land	Short leasehold land	Buildings and improvements	Plant machinery and equipment	Leasehold improvement	Capital and construction work in progress	Pasture development costs	Total
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Accumulated depreciation (Contd.)								
At 1 January 2016	3,215	5,036	69,631	155,334	48,015	212	499	281,942
Charge for the year	360	419	2,348	5,574	1,052	-	-	9,753
Reclassification	(179)	(628)	(3,554)	-	-	-	-	(4,361)
Disposals	-	(10)	(1,812)	(2,502)	-	-	-	(4,324)
Transfer	-	-	3,613	5	-	-	-	3,618
Exchange difference	-	-	46	178	265	-	-	489
At 31 December 2016	3,396	4,817	70,272	158,589	49,332	212	499	287,117
Accumulated impairment losses								
At 1 January 2016	-	-	6,042	2,215	27	-	574	8,858
During the year	-	-	-	-	-	-	1,339	1,339
Transfer	-	-	(2,122)	-	-	-	-	(2,122)
At 31 December 2016	-	-	3,920	2,215	27	-	1,913	8,075

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6. Property, plant and equipment (Contd.)

Group	Freehold land/long leasehold land RM'000	Short leasehold land RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Leasehold improvement RM'000	Capital and construction work in progress RM'000	Pasture development costs RM'000	Total RM'000
Net book value								
At 31 December 2016	60,838	13,483	95,920	31,636	15,139	131,882	-	348,898
At 31 December 2015	86,221	8,791	85,287	33,528	17,116	70,462	1,339	302,744
Analysis of cost and valuation								
At cost	63,041	18,300	169,298	190,899	64,498	132,094	2,412	640,542
At valuation	1,193	-	814	1,541	-	-	-	3,548
At 31 December 2016	64,234	18,300	170,112	192,440	64,498	132,094	2,412	644,090
At cost	90,258	14,110	160,146	189,536	65,158	70,674	2,412	592,294
At valuation	1,193	-	814	1,541	-	-	-	3,548
At 31 December 2015	91,451	14,110	160,960	191,077	65,158	70,674	2,412	595,842

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6. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Work in progress RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
Cost/Valuation							
At 1 January 2016	22,990	34,619	2,518	87,328	757	9,242	157,454
Addition	5,384	28,557	943	12,645	-	170	47,699
Disposals	(32)	-	(181)	(3,227)	-	(272)	(3,712)
At 31 December 2016	28,342	63,176	3,280	96,746	757	9,140	201,441
Accumulated depreciation							
Charge for 2015	376	-	214	100	-	335	1,025
At 1 January 2016	4,430	-	2,302	30,079	533	8,974	46,318
Charge for the year	443	-	278	660	-	242	1,623
Disposals	(10)	-	(181)	(1,812)	-	(257)	(2,260)
Charged to development grant	-	-	-	3,613	-	-	3,613
At 31 December 2016	4,863	-	2,399	32,540	533	8,959	49,294

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6. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Work in progress RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
Accumulated impairment losses							
Impairment losses for 2016	-	-	-	174	-	-	174
At 1 January 2016/31 December 2016	-	-	-	174	-	-	174
Net book value							
At 31 December 2016	23,479	63,176	881	64,032	224	181	151,973
At 31 December 2015	18,560	34,619	216	57,075	224	268	110,962

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6. Property, plant and equipment (Contd.)

Corporation	Land RM'000	Work in progress RM'000	Motor vehicles RM'000	Buildings and improvements RM'000	Plant machinery and equipment RM'000	Furniture, fitting and equipment RM'000	Total RM'000
Analysis of cost and valuation:							
At cost	27,188	63,176	3,280	95,932	431	9,140	199,147
At valuation	1,154	-	-	814	326	-	2,294
At 31 December 2016	28,342	63,176	3,280	96,746	757	9,140	201,441
At cost	24,134	34,619	2,518	86,514	431	9,242	157,458
At valuation	1,154	-	-	814	326	-	2,294
At 31 December 2015	25,288	34,619	2,518	87,328	757	9,242	159,752

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Notes to the Financial Statements - 31 December 2016

6. Property, plant and equipment (Contd.)

Land comprises of:	Freehold land	Long leasehold land	Short leasehold land	Total
	RM'000	RM'000	RM'000	RM'000
Cost/Valuation				
At 1 January 2016	117	2,389	20,484	22,990
Reclassification	-	(32)	-	(32)
Addition	-	-	5,384	5,384
At 31 December 2016	117	2,357	25,868	28,342
Representing:				
At cost	117	1,203	25,868	27,188
At valuation	-	1,154	-	1,154
	117	2,357	25,868	28,342
Accumulated depreciation				
Charges for 2015	-	12	364	376
At 1 January 2016	-	20	4,410	4,430
Charges for the year	-	-	443	443
Reclassification	-	(10)	-	(10)
At 31 December 2016	-	10	4,853	4,863

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6. Property, plant and equipment (Contd.)

	Freehold land	Long leasehold land	Short leasehold land	Total
	RM'000	RM'000	RM'000	RM'000
Net Book Value				
At 31 December 2016				
At cost	117	1,193	21,015	22,325
At valuation	-	1,154	-	1,154
	117	2,347	21,015	23,479
Net Book Value				
At 31 December 2015				
At cost	117	2,162	15,127	17,406
At valuation	-	1,154	-	1,154
	117	3,316	15,127	18,560

The Corporation revalued certain of its leasehold land, buildings, plant and equipment in 1979 and 1981 based on prevailing market values. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, the revalued property, plant and equipment have continued to be stated on the basis of their 1979 and 1981 valuations. The land titles for landed properties of the Corporation and certain subsidiaries of the Group have yet to be issued by the relevant authorities.

The Group's property, plant and equipment include motor vehicles, plant, machinery and equipment with a net book value of RM108,632 (2015: RM121,625) which were acquired under hire purchase and finance lease agreements.

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7. Hotel and investment properties

	Group	
	2016	**2015 (restated)**
	RM'000	RM'000
At valuation:		
2004	111,670	111,670
2007	166,820	166,820
2010	144,712	144,712
2012	(3,226)	(3,226)
2013	(52)	(52)
2014	7,057	7,057
2015	2,562	2,562
	429,543	429,543
At cost	102,158	91,712
	531,701	521,255
At 1 January	521,255	434,860
Additions during the year	49	15,657
Transfer to property, plant and equipment	3,166	-
Revaluation surplus	7,231	70,738
At 31 December	531,701	521,255
Impairment loss:		
At 1 January	(16,686)	(14,363)
Additions	(2,323)	(2,323)
At 31 December	(19,009)	(16,686)
Net book value	512,692	504,569

The valuations for 2004, 2007, 2010, 2012, 2013, 2014 and 2015 in respect of hotel and investment properties were adopted by the directors of the subsidiaries based on independent valuations carried out by professional valuers on an open market value. The surplus or deficit on revaluation was credited or debited to revaluation reserve.

As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, certain hotel and investment properties have continued to be stated on the basis of their 1996 valuation in previous year.

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8. Plantation development expenditure

	Group	
	2016	**2015**
	RM'000	RM'000
At cost:		
At 1 January/31 December	7,755	7,755
Accumulated amortisation:		
At 1 January/31 December	(3,334)	(3,334)
Impairment loss:		
At 1 January/31 December	(4,154)	(4,154)
Net book value	267	267

9. Subsidiaries

	Corporation	
	2016	**2015 (restated)**
	RM'000	RM'000
Unquoted shares at cost	352,528	268,885
Other investment	179,179	262,821
	531,707	531,706
Less: Allowance for diminution in value	(70,981)	(74,186)
	460,726	457,520

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9. Subsidiaries (Contd.)

The shares of all the subsidiaries are unquoted. All the subsidiaries of the Group are incorporated in Malaysia except for Rosewood Station Pty Limited, which is incorporated in Australia. Details of the Group's subsidiaries are as follows:

Name of company	Principal activities/status	Group's effective equity interest 2016 %	2015 %
Direct subsidiaries of the Corporation			
Bukit Saban Resort Sdn. Bhd. Company No. 315034-U	Owner of a holiday resort	100	100
Comerich Sdn. Bhd. Company No. 263183-P	Supplier of chicken and beef	100	100
Damai Beach Golf Course Bhd. Company No. 289575-H	Investment holding	100	100
Damai Beach Resort Sdn. Bhd. Company No. 409883-U	Inactive	100	100
Damai Cove Resorts Sdn. Bhd. Company No. 278414-M	Extraction and sale of timber, investment and property holding	100	100
Eastern Empress Silk Sdn. Bhd. Company No. 132777-W	Inactive	100	100
Kuching Hotels Sdn. Bhd. Company No. 19220-W	Owner and operator of hotel and shopping complex	89	89
Permaisara Sdn. Bhd. Company No. 104725-V	Inactive	100	100
Permata Carpark Sdn. Bhd. Company No. 315033-K	Owner of a commercial car park complex	100	100

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9. Subsidiaries (Contd.)

Name of company	Principal activities/status	Group's effective equity interest 2016 %	Group's effective equity interest 2015 %
Direct subsidiaries of the Corporation (contd.)			
PPES Aqua (Santubong) Sdn. Bhd. Company No. 152122-T	Aquaculture and investment holding	100	100
PPES Ternak Holdings Sdn. Bhd. Company No. 104730-A	Investment holding	100	100
Revlin Holdings Sdn. Bhd.* Company No. 213339-X	Inactive	100	100
Sara Concrete Poles Sdn. Bhd. Company No. 306003-M	Inactive	100	100
Sara Convention Sdn. Bhd.** Company No. 141893-M	Inactive	100	100
Sara Great Horizon Sdn. Bhd. Company No. 141892-P	Owner of a resort	100	100
Sara Hotels Bhd.** Company No. 408127-H	Inactive	100	100
Sara-HL Plantation Sdn. Bhd. Company No. 248139-W	Oil palm plantation	100	100
Sara Rasa Sdn. Bhd. Company No. 022086-U	Owner of a restaurant	85	85
Sara Resorts Sdn. Bhd. Company No. 052135-X	Owner and operator of hotel and cultural centre, and extraction and sale of timber	100	100
Sara Resorts Holdings Sdn. Bhd. Company No. 407089-T	Inactive	100	100

*On 10th November 2015, the Company had applied to the Company Commission of Malaysia for Voluntary Winding-Up by Creditors.

**On 1st February 2016, the Company had applied to the Company Commission of Malaysia for striking off under Section 308 of the Company's Act 1965.

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9. Subsidiaries (Contd.)

Name of company	Principal activities/status	Group's effective equity interest 2016 %	Group's effective equity interest 2015 %
Direct subsidiaries of the Corporation (contd.)			
Sara Resorts Management Sdn. Bhd. Company No. 261450-A	Management and service provider for trainings and events	100	100
Sara Spectrum Holdings Sdn. Bhd. Company No. 219420-W	Investment holding	100	100
Sara Tourism & Leisure Sdn. Bhd. Company No. 408289-X	Extraction and sale of timber	100	100
Sara Urusharta Sdn. Bhd. Company No. 105180-V	Property management	100	100
Sara Worldwide Vacations Bhd. Company No. 019223-V	Management of membership schemes	100	100
Sarapine Sdn. Bhd. Company No. 237653-M	Inactive	100	100
Sarawak Car Care Centre Sdn. Bhd. Company No. 35646-U	Leasing of car care centre	100	100
Sedidik Sdn. Bhd. Company No. 50688-T	Early child development	100	100
Sejadu Sdn. Bhd. Company No. 170777-M	Owner and operator of hotel and shopping complex	100	100
Taskwin Marketing Sdn. Bhd.* Company No. 264315-D	Inactive	100	100
Subsidiary of Damai Beach Golf Course Bhd.			
Damai Golf and Country Club Bhd. Company No. 139361-U	Management of a golf club	100	100

*On 10th November 2015, the Company had applied to the Company Commission of Malaysia for Voluntary Winding-Up by Creditors.

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9. Subsidiaries (Contd.)

Name of company	Principal activities/status	Group's effective equity interest 2016 %	2015 %
Subsidiaries of PPES Ternak Holdings Sdn. Bhd.			
PPES Ternak Sdn. Bhd. Company No. 104563-V	Rearing and marketing of livestocks	100	100
Sara-Bif Sdn. Bhd.*** Company No.081917-D	Inactive	100	100
Rosewood Station Pty Limited Company No. ACN 009 612 284	Owner and operator of cattle properties	100	100
Subsidiaries of Revlin Holdings Sdn. Bhd.			
Higlobe Sdn. Bhd. Company No. 254889-T	Inactive	80	80
Prime Height Sdn. Bhd. Company No. 258366-V	Inactive	51	51
Subsidiary of Sara Resorts Sdn. Bhd.			
Sara Hospitality Sdn. Bhd. Company No. 441568-K	Hotel management	100	100

***On 4th December 2015, the Company had applied to the Company Commission of Malaysia for striking off under Section 308 of the Company's Act 1965.

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9. Subsidiaries (Contd.)

Name of company	Principal activities/status	Group's effective equity interest 2016 %	2015 %
Subsidiaries of Sara Spectrum Holdings Sdn. Bhd.			
Hakanda Sdn. Bhd. Company No. 174704-T	Plantation	100	100
Sarawak Coconut Enterprise Sdn. Bhd. Company No. 218814-H	Inactive	100	100
Subsidiary of Sara Worldwide Vacations Bhd.			
Asia Vacations Club Sdn. Bhd. Company No. 82747-M	Inactive	90	90

All the subsidiaries are not audited by the Auditor-General's office. The financial year-end of all the subsidiaries is 31 December.

The financial statements of the following sub-subsidiaries, Higlobe Sdn. Bhd. and Prime Height Sdn. Bhd., are not consolidated as the Members concur with the opinion of the directors of the immediate holding entities of these sub-subsidiaries that it is impracticable and it would be of no real value to the Group, in view of the insignificant amounts involved.

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9. Subsidiaries (Contd.)

The auditors' reports of the subsidiaries' financial statements have been modified as detailed below:

(a) Asia Vacations Club Sdn. Bhd.

"Without qualifying our opinion, we draw your attention to Note 4.1 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company incurred net loss of RM2,053 during the year ended 31 December 2016 and, as of that date, the Company's current liabilities exceeded its current assets by RMl,680,374 and with shareholders' deficit of RMl,680,374. As stated in Note 4.1, these events or conditions, along with other matters as set forth in Note 4.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements."

(b) Bukit Saban Resort Sdn. Bhd.

"Without qualifying our opinion, we draw your attention to Note 2 to the financial statements wherein is disclosed the basis of preparation of the financial statements.

The Company accumulated losses as at 31 December 2016 shows balance of RM4,283,742 and as of that date, the shareholder's equity is at deficit of RM4,283,740. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements of the Company have been prepared under the going concern basis as the ultimate holding entity has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. In the event the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheet. No such adjustments have been made to these financial statements."

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9. Subsidiaries (Contd.)

(c) Damai Beach Resort Sdn. Bhd.

We draw attention to Note 4.1 in the financial statements, which indicates that the Company incurred net loss of RM1,903 during the year ended 31 December 2016 and, as of that date, the Company's current liabilities exceeded its current assets by RM45,857 and with shareholders' deficit of RM45,857. As stated in Note 4.1, these events or conditions, along with other matters as set forth in Note 4.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

d) Damai Cove Resorts Sdn. Bhd.

We draw attention to Note 4.1 in the financial statements, which indicates that the Company current liabilities exceeded its current assets by RM42,114,125. As stated in Note 4.1, these events or conditions, along with other matters as set forth in Note 4.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

(e) Eastern Empress Silk Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 4.2 in the financial statements which discloses that the financial statements of the Company had been prepared on the assumption that the Company will continue as a going concern. The application of the going concern basis is based on the assumption that the Company had obtained financial support from shareholders to meets its liabilities as and when they fall due.

During the financial year ended 31 December 2016, the Company incurred net losses of RM13,127 and as at that date, the current liabilities of the Company exceeded its current assets by RM1,635,534.

The directors of the Company are of the opinion that the preparation of the financial statements of the Company on a going concern basis remains appropriate given that the shareholders had agreed to provide financial support to meet its liabilities as and when they fall due. Our opinion is not modified in this report."

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9. Subsidiaries (contd.)

(f) Sara-HL Plantation Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 (b) in the financial statements which discloses that the financial statements of the Company had been prepared on the assumption that the Company will continue as a going concern. The application of the going concern basis is based on the assumption that the Company had obtained financial support from ultimate holding corporation to meet its liabilities as and when they fall due.

During the financial year ended 31 December 2016, the Company incurred net losses of RM160,632 and, as of that date, the current liabilities of the Company exceeded its current assets by RM9,763,032.

The directors of the Company are of the opinion that the preparation of the financial statements of the Company on a going concern basis remains appropriate given the ultimate holding corporation had agreed to provide financial support to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

The financial statements are prepared on the basis of accounting principles applicable to a going concern as the ultimate holding corporation has indicated their willingness to provide financial support to the Company to enable it to operate as a going concern in the foreseeable future."

The Ultimate Holding Corporation ('SEDC') and Hon Lian Development Sdn. Bhd. ('HLD') signed a Joint Venture Agreement on 17 October 2000 to develop an oil palm plantation via the Company. As stipulated in the said agreement, HLD will acquire 70% equity interests in the Company whilst SEDC will reduce its existing 100% equity interest to 30%. In conjunction therewith, the Company will increase its issued paid up share capital from RM3 to RM10 Million. By virtue of the Joint Venture Agreement, HLD has agreed to provide financial support to the Company.

As at balance sheet date, there was no commencement of plantation activities carried out due to the land issue with the local illegal land settlers.

(g) Sara Worldwide Vacations Sdn. Bhd.

"Without modifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Company incurred a net profit of RM146,238 during the year ended 31 December 2016 and, as of that date, the Company's shareholders' deficit was RM10,909,536. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern."

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9. Subsidiaries (contd.)

(h) Sarawak Coconut Enterprise Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3.2 of the financial statements which disclose that the financial statements of the Company had been prepared on the assumption that the Company will continue as a going concern. The application of the going concern basis is based on the assumption that the Company had obtained financial support from shareholders to meet its liabilities as and when they fall due.

During the financial year ended 31 December 2016, the current liabilities of the Company exceeded its current assets by RM1,434,227.

The directors of the Company are of the opinion that the preparation of the financial statements of the Company on a going concern basis remains appropriate given that the shareholders had agreed to provide financial support to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter."

(i) Sarawak Car Care Centre Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3 to the financial statements. During the financial year ended 31 December 2016, the Company shareholder's funds is in deficit of RM4,527,519. In view of this factor, the continuation of the Company as a going concern on which basis the financial statements have been prepared is dependent on the continuing financial support from the holding corporation and on its attaining cash inflows to sustain its operation.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to amounts and classification of liabilities that may be necessary if the company is unable to continue as a going concern."

(j) Sara Spectrum Holdings Sdn. Bhd.

"Without qualifying our opinion, we draw attention to Note 3.2 to the financial statements which discloses that the financial statements of the Company had been prepared on the assumption that the Company had obtained financial support from its holding Company to meet its liabilities as and when they fall due.

During the financial year ended 31 December 2016, the current liabilities of the Group and the Company exceeded its current assets by RM21,765,217 and RM6,923,680.

The holding Company are of the opinion that the preparation of the financial statements of the Company on a going concern basis remains appropriate given that the shareholders had agreed to provide financial support to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter."

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9. Subsidiaries (Contd.)

(k) Sara Resorts Holdings Sdn. Bhd.

We draw attention to Note 4.1 in the financial statements, which indicates that the Company incurred net loss of RM1,903 during the year ended 31 December 2016 and, as of that date, the Company's current liabilities exceeded its current assets by RM45,536 and with shareholders' deficit of RM45,536. As stated in Note 4.1, these events or conditions, along with other matters as set forth in Note 4.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

(l) Sara Rasa Sdn. Bhd.

We draw attention to Note 2 in the financial statements, which indicates that the Company accumulated losses as at 31 December 2016 shows balance of RM1,686,731 and as of that date, the shareholder's equity is at deficit of RM36,731. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

(m) Sara Great Horizon Sdn. Bhd.

We draw attention to Note 4.1 in the financial statements, which indicates that the Company incurred a net loss of RM38,521 during the year ended 31 December 2016 and, as of that date, the Company's current liabilities exceeded its current assets by RM375,911. As stated in Note 4.1, these events or conditions, along with other matters as set forth in Note 4.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

10. Associates

	Group		**Corporation**	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	48,952	48,907	47,655	47,655
Allowance for diminution in value	(1,150)	(1,150)	(150)	(150)
	47,802	47,757	47,505	47,505
Share of retained profits less losses	251,340	218,314	-	-
	299,142	266,071	47,505	47,505

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10. Associates (Contd.)

Details of the Group's associates, all of which are incorporated in Malaysia, as at 31 December 2016 and their principal activities are shown below:

Name of company	Principal activities/status	Group's effective equity interest 2016 %	2015 %
Direct associates of the Corporation			
GOS Management Holdings Sdn. Bhd. Company No. 591107-U	Investment holding	36	36
CMS Resources Sdn. Bhd. Company No. 98773-T	Investment and property holding	49	49
LF Asia Sebor (Sarawak) Holdings Sdn. Bhd. Company No. 17625-H	Investment holding	33	33
Syarikat Sebangun Sdn. Bhd. Company No. 113107-M	Extraction and processing of silica sand	21	21
PPES Works (Sarawak) Sdn. Bhd. Company No. 209892-K	Civil engineering contractor and road maintenance	49	49
CMS Property Management Sdn. Bhd. Company No. 326616-U	Management and marketing of realty and property projects	49	49
CMS Land Sdn. Bhd. Company No. 410797-H	Property holding, property development and construction	49	49
CMS Infra Trading Sdn. Bhd. Company No. 196635-M	General merchandising	49	49
SOP Karabungan Sdn. Bhd. Company No. 663077-D	Oil palm plantation	30	30
Good Harvest Plantation Sdn. Bhd. Company No. 600593-D	Cultivation of coconut	30	30
Fieldmart Care Sdn. Bhd. (formerly known as Pop Media Sdn. Bhd.) Company No. 486260-P	Investment holding	40	40

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10. Associates (contd.)

Name of company	Principal activities	Group's effective equity interest 2016 %	Group's effective equity interest 2015 %
Associates of Sara Spectrum Holdings Sdn. Bhd.			
Carbon Supplies (Sarawak) Sdn. Bhd. Company No. 295344-H	Owner of activated carbon factory	40	40
Kemudi Saling Sdn. Bhd.	Oil palm plantation	30	30

The financial year end of all the associates is 31 December.

11. Investments in other corporations

	Group		Corporation	
	2016 RM'000	**2015 (restated)** RM'000	**2016** RM'000	**2015 (restated)** RM'000
Investments at Fair Value				
- Unquoted shares in Malaysia	11,942	11,937	11,686	11,686
- Quoted shares in Malaysia	247,907	311,428	247,859	311,350
- Unit trust quoted in Malaysia	74,948	72,434	62,561	60,062
Total	334,797	395,799	322,106	383,098

The fair value of quoted equity investments are measured based on the quoted price in active markets.

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12. Inventories

	Group		Corporation	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	RM'000	RM'000	RM'000	RM'000
Properties held for sale	6,380	7,228	6,380	7,228
Trading stocks	175	128	-	-
Livestock	40,996	47,796	-	-
Souvenir stocks	243	223	-	-
Materials and consumable	1,646	3,070	43	48
	49,440	58,445	6,423	7,276
Provision for inventories obsolesces	(258)	(258)	-	-
	49,182	58,187	6,423	7,276

Except for livestock and properties held for sale, all other inventories are stated at cost. The valuation for livestock and property held for sale are as follows:

	Group	
	2016	**2015**
	RM'000	RM'000
Livestock		
At cost	515	1,244
At net realisable value	40,481	46,552
	40,996	47,796

	Group and Corporation	
	2016	**2015 (restated)**
	RM'000	RM'000
Properties held for sale		
At cost	6,004	6,742
At net realisable value	376	486
	6,380	7,228

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13. Receivables and other receivables

	Group		Corporation	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	RM'000	RM'000	RM'000	RM'000
Trade receivables	40,585	46,451	14,865	19,227
Allowance for doubtful debts	(10,799)	(11,016)	(7,682)	(7,833)
	29,786	35,435	7,183	11,394
Other receivables and prepayments	22,123	48,048	8,038	11,004
Advances to subsidiaries	-	-	156,560	144,101
Advances to associates	-	-	1,207	1,778
Allowance for doubtful debts	(111)	(8,358)	(84,509)	(90,931)
	22,012	39,690	81,296	65,952
Tax recoverable	1,463	1,377	219	-
Total	53,261	76,502	88,698	77,346

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment except for a certain loan to an associate which bear interest rate of 5% per annum and has fixed repayment terms.

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14. Cash and cash equivalents

	Group		Corporation	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	71,417	135,151	15,592	110,795
Fixed deposits with financial institutions	258,434	218,638	211,211	165,780
	329,851	353,789	226,803	276,575

Deposits with financial institutions

	Group		Corporation	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	RM'000	RM'000	RM'000	RM'000
With licensed banks	160,146	131,973	115,204	88,876
With licensed finance companies	98,288	86,665	96,007	76,904
	258,434	218,638	211,211	165,780
With licensed banks, pledged	(500)	(500)	-	-
	257,934	218,138	211,211	165,780

Included in the Group's fixed deposits was RM500,000 (2015: RM500,000) placed on lien to licensed banks for banking facilities as disclosed in Note 23, bank guarantee facilities granted to certain subsidiaries of the Group and as collateral for loans given to Bumiputra Entrepreneurs under the socio-economic projects/schemes of the Corporation.

15. Reserves

		Group		Corporation	
		2016	**2015 (restated)**	**2016**	**2015 (restated)**
		RM'000	RM'000	RM'000	RM'000
Capital reserves		3,768	3,768	-	-
Share premium	(a)	9,308	9,308	-	-
Revaluation reserve	(b)	109,207	107,882	-	-
Reserve on consolidation	(c)	52,346	52,334	-	-
Revenue reserve		1,039,219	1,032,372	763,580	799,410
		1,213,848	1,205,664	763,580	799,410

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15. Reserves (Contd.)

(a) Share premium

	Group 2016 RM'000	Group 2015 (restated) RM'000
At 1 January/31 December	9,308	9,308

(b) Revaluation reserve

	Group 2016 RM'000	Group 2015 (restated) RM'000
At 1 January	107,882	35,971
Arising on consolidation	1,325	3,263
Effect of adopting MPERS	-	68,648
At 31 December	109,207	107,882

(c) Reserved on consolidation

	Group 2016 RM'000	Group 2015 (restated) RM'000
At 1 January	52,334	52,321
Arising on consolidation	12	13
At 31 December	52,346	52,334

The revaluation reserve relates to surplus or deficit on revaluation of property, plant and equipment, hotel and investment properties of the Group.

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16. State government equity grant and contribution for equity participation

	Group and Corporation	
	2016	**2015**
	RM'000	RM'000
(a) State government grant		
Sejadu Sdn. Bhd.	11,000	11,000
Sara Resorts Sdn. Bhd.	10,850	10,850
Bukit Saban Resort Sdn. Bhd.	9	9
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
PPES Aqua (Santubong) Sdn. Bhd.	1,000	1,000
Sarawak Car Care Centre Sdn. Bhd.	5,389	5,389
Sarawak Coconut Enterprises Sdn. Bhd.	7,080	7,080
Carbon Supplies (Sarawak) Sdn. Bhd.	2,880	2,880
GOS Management Holdings Sdn. Bhd.	20	20
	75,228	75,228

	Group and Corporation	
	2016	**2015**
	RM'000	RM'000
(b) State government contribution for equity participation		
Sejadu Sdn. Bhd.	144,189	144,189
Sara Resorts Sdn. Bhd.	57,400	57,400
Kuching Hotels Sdn. Bhd.	24,088	24,088
Damai Cove Resorts Sdn. Bhd.	37,000	37,000
Borsamulu Resort Sdn. Bhd.	2,000	2,000
	264,677	264,677

The State Government Equity Grant and State Government Contribution for Equity Participation represent funds injected into the Corporation by the State Government of Sarawak to finance investments in subsidiary companies which undertake commercial projects.

The State Government Contribution for Equity Participation is repayable only upon request by the State Government when investments are disposed.

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17. Development funds

	Group		Corporation	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	RM'000	RM'000	RM'000	RM'000
Bumiputra Participation Fund	65,374	72,323	65,374	72,322
Cattle Industry Development Fund	-	9,178	-	-
Aquaculture Development Fund	9,611	13,484	9,611	9,611
Camp Permai Fund	15,052	2,000	-	-
Others	39,453	43,752	39,453	43,753
	129,490	140,737	114,438	125,686
At 1 January	140,737	135,370	125,686	120,319
Received during the year	18,584	15,694	18,584	15,694
Disbursed/utilised during the year	(29,831)	(10,327)	(29,832)	(10,327)
At 31 December	129,490	140,737	114,438	125,686

18. Lease Payables

	2016	**2015 (restated)**
	RM'000	RM'000
Repayable within twelve months	37	40
Repayable after twelve months	69	106
	106	146
<u>Minimum lease payment</u>:		
Not later than one year	38	43
Later than one year but not later than five years	71	122
	109	165
Future finance charges	(3)	(19)
Present value of finance lease liabilities	106	146

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19. Government term loans

	Group and Corporation	
	2016	**2015 (restated)**
	RM'000	RM'000
Unsecured		
Interest bearing loans	8,725	8,935
Interest free loans	-	2,500
	8,725	11,435
Repayable within one year	(218)	(2,710)
Repayable after one year	8,507	8,725

The interest rate is 4% per annum (2015: 4% per annum) for interest bearing loans.

20. Government grants

	Group	
	2016	**2015 (restated)**
	RM'000	RM'000
At 1 January	9,731	9,731
Amortisation of grants	(3,224)	-
Government grant received during the year	2,080	-
At 31 December	8,587	9,731

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21. Deferred tax

	Group 2016 RM'000	Group 2015 RM'000
At 1 January	10,109	6,350
Recognised in profit or loss (Note 27)	1,286	(1,153)
Exchange differences	335	4,912
At 31 December	11,730	10,109

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Inventories (livestock) RM'000	Property, plant & equipment RM'000	Others RM'000	Total (restated) RM'000
Deferred tax liabilities of the Group:				
At 1 January 2016	9,462	526	121	10,109
Recognised in profit or loss	1,286	-	-	1,286
Exchange differences	322	-	13	335
At 31 December 2016	11,070	526	134	11,730

	Inventories (livestock) RM'000	plant & equipment RM'000	Others RM'000	Total (restated) RM'000
Deferred tax liabilities of the Group:				
At 1 January 2015	5,716	526	108	6,350
Recognised in profit or loss	(1,167)	-	-	(1,167)
Exchange differences	4,913	-	13	4,926
At 31 December 2015	9,462	526	121	10,109

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22. Employee benefits

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Long service leave	97	30	-	-
Annual leave and others	2,367	2,260	2,367	2,260
	2,464	2,290	2,367	2,260

23. Other borrowings

	Group 2016 RM'000	Group 2015 RM'000
Term loans, secured	-	24,865
Repayable after one year	-	24,865

The premium funding bore interest rate of 5.50% (2015: 5.50%) at reporting date.

The secured term loan of a subsidiary is secured by a first mortgage over freehold and leasehold property of the subsidiary and a floating charge over the subsidiary's assets.

24. Trade and other payables

	Group 2016 RM'000	Group 2015 (restated) RM'000	Corporation 2016 RM'000	Corporation 2015 (restated) RM'000
Trade payables	6,816	9,669	-	-
Other payables and accruals	28,885	26,612	6,233	7,369
	35,701	36,281	6,233	7,369

Included in other payables and accruals of the Group is deferred membership fee amounting to RM813,996 (2015: RM771,559) which represents advance membership fees received from members under the short term membership arrangement and advance licence fees received from members. The advance membership fees are recognised as income at 30% during the year of receipt, with the balance of 70% to be recognised as income upon the expiration of the "Easy Access Scheme" option. The advance licence fees received are recognised as income over the membership period.

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24. Trade and other payables (Contd.)

The Group's other payables and accruals also include advances from a former Corporate Shareholder of a subsidiary amounting to RM1,385,696 (2015: RM1,385,696). The amount due to the former corporate shareholder of a subsidiary, Sarawak Coconut Enterprise Sdn. Bhd., is unsecured, interest-free and has no fixed terms of repayment.

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment except for a certain loan to an associate which bear interest rate of 5% per annum and has fixed repayment terms.

25. Revenue and cost of sales

Revenue

Revenue of the Corporation represents income from property development, management fee charged to its subsidiaries, income derived from investments, invoiced value of goods sold less returns and billings for services rendered to customers, rental income received and receivable, and gain on disposal of investments and property, plant and equipment.

Revenue of the Group represents the aggregate of the invoiced value of goods sold less returns and billings for services rendered to customers, revenue from room sales, food and beverage sales and other incidental services rendered in conjunction with hotel operations, and rental income received and receivable. Inter-company sales, dividends, management fees, interest income and marketing fees are eliminated on consolidation.

Cost of sales

Cost of sales of the Corporation represents development costs and raw materials consumed.

Cost of sales of the Group represents cost of timber, food and beverage, hotel rooms and hospitality services, property management and maintenance services, golf course operations and maintenance costs and livestocks.

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26. Profit before taxation

	Group		Corporation	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Amortisation of development expenditure	(4,096)	(4,096)	(4,096)	(4,096)
Allowance for diminution in investment	62,770	2,065	62,778	2,055
(Reversal of Allowance for)/ Allowance for doubtful debts, net of allowance no longer required	(9,853)	3,840	(9,759)	2,857
Allowance for impairment receivables	(294)	(366)	-	-
Auditors' remuneration				
- current year	348	325	50	50
- under provision in prior years	9	3	1	1
Amortisation of goodwill	13	13	-	-
Amortisation of government grants	(3,225)	(2,927)	-	-
Bad debts written off	1,997	2,618	572	8
Depreciation of property, plant and equipment	9,753	11,259	1,623	1,025
Dividend income	(27,609)	(30,835)	(27,313)	(30,314)
Gain on disposal of other investments	(4)	(79,333)	-	(79,333)
Loss/(Gain) on disposal of property, plant and equipment	127	(16)	11	(10)
Gross dividends from:				
Associates				
- unquoted in Malaysia	(23,564)	(21,791)	(23,564)	(21,791)
Other corporations				
- quoted in Malaysia	(3,749)	(8,523)	(3,749)	(8,523)

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26. Profit before taxation (Contd.)

	Group		Corporation	
	2016	**2015 (restated)**	**2016**	**2015 (restated)**
	RM'000	RM'000	RM'000	RM'000
(a) Profit before taxation is stated after charging/(crediting):				
Impairment of property, plant and equipment	1,339	191	-	-
Income from rental of land and buildings	(3,363)	(3,315)	(3,362)	(3,315)
Interest income	(10,747)	(8,428)	(9,940)	(7,286)
Interest expense				
- commercial borrowings	59	1,781	-	-
- hire purchase	2	3	-	-
- government loan	350	358	350	358
(Gain)/loss on foreign exchange				
- unrealised	(1,324)	(2,803)	-	-
- realised	59	1	-	-
Members' remuneration:				
- fees as Members of the Corporation	1,909	818	107	60
- allowance as Members of the Corporation	349	145	135	99
Rental income	(944)	(496)	-	-
Rental expenses				
- land and buildings	698	453	338	292
Reversal of allowance of doubtful debts	(4)	-	-	-

(b) Employee information

	Group		Corporation	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Staff costs	42,453	40,095	19,020	18,942
Number of employees	892	900	263	264

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27. Taxation

	Group		Corporation	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Based on results for the year				
- Malaysian income tax	1,749	1,611	-	234
Under/(Over) provision in prior years				
- Malaysian income tax	2,464	(8,602)	42	(8,640)
	4,213	(6,991)	42	(8,406)
Deferred tax (Note 21):				
Relating to origination and reversal of temporary differences				
- Malaysian income tax	1,085	(3)	-	-
- Foreign tax	128	3,155	-	-
(Over)/Under provision in prior year	(7)	16	-	-
	1,206	3,168	-	-
Tax expense for the current year	5,419	(3,823)	42	(8,406)

The disproportionate taxation charge for the Group is principally due to the absence of Group relief for losses suffered by certain subsidiaries. Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. Current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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27. Taxation (Contd.)

A reconciliation of income tax expense applicable to profit before taxation of the Corporation and of the Group at the statutory income tax rate to income tax expense at the effective income tax rate of the Corporation and of the Group is as follows:

	Group	
	2016	**2015 (restated)**
	RM'000	RM'000
Profit before taxation	24,006	95,793
Taxation at Malaysian statutory tax rate of 24% (2015:25%)	5,762	24,948
Effect of different tax rates in other countries	1,656	524
Effect of income not subject to tax	(7,424)	(23,147)
Expenses not deductible for tax purposes	8,522	5,369
Revenue expenditure capitalised	-	(44)
Utilisation of previously unrecognised capital allowance and tax loss	(1,544)	(1,950)
Utilisation of deferred tax assets carried forward previously not recognised	(852)	(3)
Non allowable income	(178)	(200)
Deferred tax assets not recognised	(643)	(734)
Under/(Over) provision of income tax expense in prior years	128	(8,602)
(Over)/Under provision of deferred tax in prior years	(8)	16
Tax expense for the year	5,419	(3,823)

Tax losses are analysed as follows:

Tax savings recognised during the year arising from:		
Unutilised tax losses carried forward	25,583	72,666

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27. Taxation (Contd.)

	Corporation	
	2016	**2015 (restated)**
	RM'000	RM'000
(Loss)/Profit before taxation	(35,788)	97,054
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	(8,589)	25,003
Effect of income not subject to tax	(5,246)	(27,269)
Expenses not deductible for tax purposes	13,835	2,500
Under/(over) provision of income tax in prior years	42	(8,640)
Tax expense for the year	42	(8,406)
Tax savings during the financial year arising from:		
Unutilised tax losses carried forward	16,932	16,932

28. Related Parties Disclosure

During the financial year, the Corporation entered into the following transaction with the subsidiaries and associates:

	Corporation	
	2016	**2015 (restated)**
	RM'000	RM'000
Rental received from subsidiaries	(143)	(137)
Management fee received from an associate	-	(11)
Interest received from an associate	(62)	(279)
Interest received from subsidiaries	(521)	(207)
License fee received from an associate	(151)	(135)
Development cost paid to associates	25,128	23,759

The key management professional compensation is RM 1,259,000 (2015: RM1,230,000).

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29. Contingent liabilities

Damai Cove Resorts Sdn. Bhd.

As at the reporting date, there were two legal actions against the Company relating to the issuance of the Timber Licences and Timber Licences for Planted Forest to the Company. The lawsuits have been dismissed by the High Court on 5 April 2012. However, the plaintiffs have filed notices of appeal to the Court of Appeal against the decision of the High Court. No date has been fixed for the hearing of appeals.

The Court of Appeal has fixed 7th December, 2016 for hearing on two (2) appeal by the plaintiff's. However, the hearing of the appeal on 7th December, 2016 was adjourned and now vacated by the Court of Appeal. As at this reporting date, there was no further development on the lawsuits.

PPES Ternak Holdings Sdn. Bhd.

The implication of the decision of the High Court of Australia in Mabo vs. The State of Queensland (1992) 107 ALR1 relating to native title, on the future operations of Rosewood Station Pty Limited ("Rosewood"), the foreign subsidiary of PPES Ternak Holdings Sdn. Bhd. is discussed below. There has been a range of cases dealing with native title (most notably, The Wik People vs. The State of Queensland (1997) 141 ALR 129). In addition, there has been a range of legislative initiatives by the Commonwealth and the State and Territories of Australia.

Taken as a whole, other than where native title has been validly extinguished by a prior act (for example, the grant of a freehold title to relevant land), native title has the potential to affect the future operations of Rosewood. To that extent, as with other cattle properties, Rosewood will have to comply with all relevant legislation and will ordinarily do so on a case by case basis. Finally, the effect of native title (if any) on the future operations of Rosewood will vary on a case by case basis.

As disclosed in the Company's foreign subsidiary's financial statements, the Native Title consent determination over Rosewood was handed down on 31 May 2011 by Federal Court, Australia, which determined certain native title rights and interests of certain native title holders. However, these native title rights and interests do not confer native holders, possession, occupation and enjoyment to the exclusion of the rights and interests of Rosewood under Perpetual Pastoral Lease 1013. The native title rights and interests are for personal or communal needs of the native title holders which are of domestic nature and not for any commercial or business purpose. In the event of conflict, the rights and interests of Rosewood prevail over, but not extinguish the native rights.

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30. Commitments

	Group		Corporation	
	2016	**2015**	**2016**	**2015**
	RM'000	RM'000	RM'000	RM'000
Capital commitment for the acquisition of property, plant and equipment:				
Approve and contracted for	66,092	76,135	18,637	45,020
Approve but not contracted for	1,291	2,018	-	-
	67,383	78,153	18,637	45,020

31. Currency

All amounts are stated in Ringgit Malaysia.

32. Significant events

The significant events are disclosed in Note 9 and 10 to the financial statements.

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Details Statement of Comprehensive income
For The Year Ended 31 December 2016

	2016	2015 (restated)
	RM'000	RM'000
Revenue		
Dividend income - associates	25,513	21,791
- other investments	1,800	8,524
Document fees	-	7
(Loss)/Gain on disposal of property, plant and equipment	(11)	10
Gain on divestment of investment	-	79,333
Interest income	9,939	7,286
Licensing fees	151	135
Rental income	3,363	3,315
Sales of property development	868	7,026
Sundry income	76	147
	41,699	127,574
Less: Cost of sales		
Property development cost	849	1,329
Gross profit	40,850	126,245
Add: Other operating income		
Allowance for doubtful debts no longer required	6,569	5,437
Reversal of impairment investment in subsidiary	3,206	2,710
Government grant	4,260	4,615
Other operating income	4,096	4,655
	18,131	17,417

For management purpose only

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Details Statement of Comprehensive income
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	2016	2015 (restated)
	RM'000	RM'000
Less: Administrative expense		
Corporate staff welfare	12	15
Hotel room subsidy	42	21
Program Internship Siswazah	80	109
Staff accommodation	18	21
Staff incentive allowance	1,300	1,359
Staff paid leave	347	223
Staff bonus	249	359
Staff chronic illness and hospitalization	187	103
Staff corporate gathering	24	37
Staff EHS (medical checkup)	43	54
Staff external training	316	307
Staff housing loan interest subsidy	203	196
Staff in-house training	446	467
Staff leave passage	-	7
Staff maternity	6	10
Staff medical	193	467
Staff membership fees	13	17
Staff overtime	197	220
Staff transport and travelling	771	718
Staff salary - junior	6,327	6,249
- senior	8,175	7,781
Staff uniform	-	132
Staff welfare	30	30
Staff children education	13	11
Welfare - retirement	28	29
	19,020	18,942

For management purpose only

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Details Statement of Comprehensive income
For The Year Ended 31 December 2016

	2016	2015 (restated)
	RM'000	RM'000
Less: Other operating expenses		
Provision for doubtful debts	-	5,713
Bad debts written off	-	8
Board's expenses	308	335
Business zakat	300	300
Depreciation of property, plant and equipment	1,623	1,025
General expenses	1,378	1,468
Maintenance expenses	2,732	2,909
Office expenses	1,922	2,017
Professional fees	184	2,022
Project expenses	544	482
Financial assistance to subsidiaries	3,627	722
Provision for diminution in value of investment	62,778	10,304
	75,396	27,305
Operating (loss)/profit	(35,435)	97,415
Less: Finance costs		
Interest on government loan	350	358
Other finance costs	3	3
	353	361
(Loss)/Profit before taxation	(35,788)	97,054

For management purpose only