

CHIN TECK PLANTATIONS BERHAD

(Company No. 3250-V)
(Incorporated in Malaysia)



A N N U A L **2 0 1 4** R E P O R T

CONTENTS

	Page
FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR	1
NOTICE OF ANNUAL GENERAL MEETING	2 - 3
STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING	4
CORPORATE INFORMATION	5
PROFILE OF DIRECTORS	6 - 8
CHAIRMAN'S STATEMENT	9 - 10
MANAGEMENT'S DISCUSSION AND ANALYSIS	11 - 13
STATEMENT ON CORPORATE GOVERNANCE	14 - 20
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL	21 - 22
REPORT ON AUDIT COMMITTEE	23 - 25
CORPORATE SOCIAL RESPONSIBILITY	26
STATEMENT ON DIRECTORS' RESPONSIBILITY FOR THE PREPARATION OF ANNUAL AUDITED FINANCIAL STATEMENTS	27
GROUP FINANCIAL PROFILE	28 - 29
PLANTATIONS STATISTICS	30
DIRECTORS' REPORT	31 - 33
STATEMENT BY DIRECTORS	34
STATUTORY DECLARATION	34
INDEPENDENT AUDITORS' REPORT	35 - 36
INCOME STATEMENTS	37
STATEMENTS OF COMPREHENSIVE INCOME	38
STATEMENTS OF FINANCIAL POSITION	39
STATEMENTS OF CHANGES IN EQUITY	40 - 43
STATEMENTS OF CASH FLOWS	44
NOTES TO THE FINANCIAL STATEMENTS	45 - 85
SHAREHOLDINGS STATISTICS	86 - 87
LIST OF PROPERTIES	88 - 89
OTHER INFORMATION	90
FORM OF PROXY	Enclosed

FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

FINANCIAL HIGHLIGHTS - GROUP

	2014 RM'000	2013 RM'000
Revenue	118,874	102,508
Profit before tax	47,147	34,430
Income tax expense	(11,124)	(9,519)
Profit net of tax	36,023	24,911
Dividends	31,520	17,816
Issued and paid-up share capital	91,363	91,363
Equity attributable to owners of the Company	617,847	621,398
Earnings per stock unit		
- Basic	39.43 sen	27.27 sen
- Diluted	39.43 sen	27.27 sen
Dividends		
- First interim dividend	13% less 25% taxation	13% less 25% taxation
- Special dividend	17% less 25% taxation	-
- Second interim dividend	12% single	13% less 25% taxation
Dividend cover (times)	1.14	1.40
Net assets per stock unit	RM6.76	RM6.80

FINANCIAL CALENDAR

Financial year	1 September 2013 to 31 August 2014
Announcement of results	
First financial quarter ended 30 November 2013	23 January 2014
Second financial quarter ended 28 February 2014	23 April 2014
Third financial quarter ended 31 May 2014	24 July 2014
Fourth financial quarter ended 31 August 2014	30 October 2014
Dividends payment	
First interim and special	30 December 2013
Second interim	29 August 2014
Despatch of 2014 Annual Report	7 January 2015
Fifty Sixth Annual General Meeting	29 January 2015

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty Sixth Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Thursday, 29 January 2015 at 10.30 am for the following purposes: -

1. To receive and adopt the Directors' Report and the Financial Statements for the financial year ended 31 August 2014 and the Independent Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 August 2014 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Articles of Association of the Company: -
 - (i) Mr Gho Lian Chin (Resolution 3)
 - (ii) Mr Sio Sit Po (Resolution 4)
4. To consider and if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965: -
 - (i) "That Mr Goh Eng Chew, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 5)
 - (ii) "That Mr Wong Aun Phui, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 6)
 - (iii) "That Mr Goh Beng Hwa @ Gho Bin Hoa, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 7)
 - (iv) "That Mr Goh Pock Ai, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 8)
 - (v) "That Dr Gan Kim Leng, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 9)
 - (vi) "That Mr Keong Choon Keat, who retires pursuant to Section 129 of the Companies Act, 1965 be re-appointed a director of the Company to hold office until the next Annual General Meeting of the Company." (Resolution 10)
5. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 11)
6. As special business, to consider and if thought fit, pass the following resolutions: -

To retain the following directors as Independent Non-Executive Directors of the Company: -

 - (i) Mr Goh Beng Hwa @ Gho Bin Hoa (Resolution 12)
 - (ii) Mr Sio Sit Po (Resolution 13)
 - (iii) Dr Gan Kim Leng (Resolution 14)
 - (iv) Mr Keong Choon Keat (Resolution 15)
7. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board

Gan Kok Tiong
Company Secretary

Kuala Lumpur
7 January 2015

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. A depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the Record of Depositors as at 22 January 2015 issued by Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") upon request by the Company in accordance with the rules of the Bursa Depository.
2. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
4. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
5. Resolutions proposed under item 6, based on the satisfactory outcome of the review of the Nomination Committee, if passed, will enable Mr Goh Beng Hwa @ Gho Bin Hoa, Mr Sio Sit Po, Dr Gan Kim Leng and Mr Keong Choon Keat, who have served as Independent Non-Executive Directors of the Company for more than 9 years as at the date of this Notice, to continue to serve in this capacity. The profile of Mr Goh Beng Hwa @ Gho Bin Hoa, Mr Sio Sit Po, Dr Gan Kim Leng and Mr Keong Choon Keat are set out on page 7 of the Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of directors who are standing for re-election and re-appointment at the Fifty Sixth Annual General Meeting.

- | | |
|--------------------------------|---|
| (a) Gho Lian Chin | - Retiring pursuant to Article 94 of the Articles of Association.
His profile is set out on page 8 and his shareholding in the Company and subsidiary is set out on page 86. |
| (b) Sio Sit Po | - Retiring pursuant to Article 94 of the Articles of Association.
His profile is set out on page 7 and his shareholding in the Company and subsidiary is set out on page 86. |
| (c) Goh Eng Chew | - Retiring pursuant to Section 129 of the Companies Act, 1965.
His profile is set out on page 6 and his shareholding in the Company and subsidiary is set out on page 86. |
| (d) Wong Aun Phui | - Retiring pursuant to Section 129 of the Companies Act, 1965.
His profile is set out on page 6 and his shareholding in the Company and subsidiary is set out on page 86. |
| (e) Goh Beng Hwa @ Gho Bin Hoa | - Retiring pursuant to Section 129 of the Companies Act, 1965.
His profile is set out on page 7 and his shareholding in the Company and subsidiary is set out on page 86. |
| (f) Goh Pock Ai | - Retiring pursuant to Section 129 of the Companies Act, 1965.
His profile is set out on page 6 and his shareholding in the Company and subsidiary is set out on page 86. |
| (g) Gan Kim Leng | - Retiring pursuant to Section 129 of the Companies Act, 1965.
His profile is set out on page 7 and his shareholding in the Company and subsidiary is set out on page 86. |
| (h) Keong Choon Keat | - Retiring pursuant to Section 129 of the Companies Act, 1965.
His profile is set out on page 7 and his shareholding in the Company and subsidiary is set out on page 86. |

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman (Non-Independent)	Goh Eng Chew
Senior Executive Director (Non-Independent)	Goh Pock Ai
Executive Directors (Non-Independent)	Wong Aun Phui Goh Wei Lei
Non-Executive Directors (Independent)	Goh Beng Hwa @ Gho Bin Hoa Sio Sit Po Dr Gan Kim Leng Keong Choon Keat
Non-Executive Directors (Non-Independent)	Gho Lian Chin Goh Yeok Beng Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong
Alternate Director	Gho Bun Tjin (alternate to Gho Lian Chin)

AUDIT COMMITTEE

Chairman Members	Keong Choon Keat Dr Gan Kim Leng Sio Sit Po
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NOMINATION COMMITTEE & REMUNERATION COMMITTEE

Chairman Members	Gho Lian Chin Goh Beng Hwa @ Gho Bin Hoa Dr Gan Kim Leng Keong Choon Keat Goh Yeok Beng
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COMPANY SECRETARY

Gan Kok Tiong B.Commerce (Accounting)(Hons.), CA(M), CPA

REGISTERED OFFICE

Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral
50470 Kuala Lumpur, Malaysia
Telephone: +603 2261 4633
Fax: +603 2261 4733

INDEPENDENT AUDITORS

Ernst & Young
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

SHARE REGISTRAR AND MANAGING AGENT

Sin Thye Management Sdn Bhd
Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral
50470 Kuala Lumpur, Malaysia
Telephone: +603 2261 4633
Fax: +603 2261 4733

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

WEBSITE

www.chinteck.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS**Goh Eng Chew (Executive Chairman)**

83-year-old Mr Goh, a Singaporean, has extensive plantation and financial experience. Appointed to the Board on 1 January 1971. He later served as Executive Director on 21 January 1984 and as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 1 March 1996. He had been Chairman of a licensed commercial bank, a licensed finance company and a real estate company, all of which were formerly listed in Singapore. He is also the Executive Chairman of Negri Sembilan Oil Palms Berhad. Other public companies in which he heads the Board are Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 90 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Pock Ai and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong and the father of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

Goh Pock Ai (Senior Executive Director)

74 years of age, Singaporean. Appointed to the Board on 2 June 1979. He later served as Executive Director on 23 April 1983 and as Senior Executive Director from 1 May 2008. He has vast experience and extensive knowledge in the oil palm plantation industry and property development. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 90 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

Wong Aun Phui (Executive Director)

93 years of age, Malaysian. Has extensive plantation and banking experience. Appointed to the Board on 29 January 1961 and as Executive Director on 23 April 1983. He was conferred Senior Cambridge Certificate by Cambridge University. He had served as Assistant Managing Director of Malayan Banking Berhad, Managing Director of Pan Malayan Finance Limited and Adviser of Bank Bumiputra Malaysia Berhad (now known as CIMB Bank Berhad). Formerly, Chairman of Bandar Raya Development Berhad. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad and Timor Oil Palm Plantation Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

Goh Wei Lei (Executive Director)

46 years of age, Singaporean. He was first appointed as alternate director of Goh Eng Chew on 29 March 1994. He resigned as alternate director on 29 July 2003 and appointed as director on the same day. He was later appointed as Executive Director on 1 May 2008. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 90 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the son of Goh Eng Chew.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

PROFILE OF DIRECTORS

Goh Beng Hwa @ Gho Bin Hoa (Independent Non-Executive Director)

83 years of age, Singaporean. Appointed to the Board on 16 November 1969. He is a member of the Nomination Committee and Remuneration Committee. He had worked for several years in a listed licensed commercial bank in Singapore and was formerly the Managing Director of a licensed finance company listed in Singapore. He does not hold any directorship in other public companies. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

Sio Sit Po (Independent Non-Executive Director)

66 years of age, Singaporean. He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad and Eng Thye Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

Dr Gan Kim Leng (Independent Non-Executive Director)

72 years of age, Malaysian. Appointed to the Board on 29 October 1999. A retired dental surgeon. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He holds a Bachelor of Dental Surgery from the University of Sydney, Australia. He does not hold any directorship in other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

Keong Choon Keat (Independent Non-Executive Director)

70 years of age, Malaysian. Appointed to the Board on 26 April 2001. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales. Attached to Bristol Myers & Company Ltd, England as an Accountant in 1968 and left to join Malaysian Tobacco Company Bhd as an Accountant in 1969. From 1974 to 1999, he was attached to UMW Holdings Bhd where he held various management positions from General Manager to Director, Group Accounts before being promoted to the position of an Executive Director in 1988. Upon retirement in 1999, he joined a consultancy firm providing outplacement and career management consultancy services in Malaysia. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad and Crest Builder Holdings Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

PROFILE OF DIRECTORS**Gho Lian Chin (Non-Independent Non-Executive Director)**

67 years of age, Singaporean. Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the oil palm plantation and rubber industries. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 90 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 August 2014: 4/4

Goh Yeok Beng (Non-Independent Non-Executive Director)

66 years of age, Singaporean. Appointed to the Board on 23 December 1998. He is a member of the Nomination Committee and Remuneration Committee. He has vast experience and extensive knowledge in the oil palm plantation and rubber industries. Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 90 of the Annual Report. He has had no convictions for any offences within the past ten years.

Number of Board meetings attended during the financial year ended 31 August 2014: 3/4

Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Non-Independent Non-Executive Director)

68 years of age, Singaporean. Appointed to the Board on 10 April 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Negri Sembilan Oil Palms Berhad, Timor Oil Palm Plantation Berhad (alternate director) and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 90 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Goh Eng Chew and Goh Pock Ai.

Number of Board meeting attended during the financial year ended 31 August 2014: 4/4

Gho Bun Tjin (alternate to Gho Lian Chin)

64 years of age, Singaporean. He was first appointed as an alternate director on 18 February 1994 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Negri Sembilan Oil Palms Berhad, Eng Thye Plantations Berhad, Timor Oil Palm Plantation Berhad and Tiong Thye Company Berhad, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 90 of the Annual Report. He has had no convictions for any offences within the past ten years. He is the brother of Gho Lian Chin.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Chin Teck Plantations Berhad, I take great pleasure in presenting the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 August 2014.

During the financial year under review, the average selling prices of crude palm oil remained stable. However, since the end of the financial year under review, the selling prices of crude palm oil has weakened mainly due to higher production resulting in high levels of inventory.

Financial and operations review of the Group

During the financial year under review, revenue of the Group increased by 15.96% to RM118,873,686 from RM102,508,426 a year ago. This is mainly due to improvement in the average selling prices of ffb and palm kernel and the sales volume of crude palm oil and palm kernel when compared with those of the preceding financial year.

Overall profit from share of results of associates was mainly due to positive contribution from an associate engaged in property development as it continued to perform satisfactorily with a contribution of RM3,564,436 to the profit before tax of the Group.

As reported previously, the oil palm plantations in Lampung Province, Indonesia encountered a suspension in routine harvesting due to unrest in the villages located in the vicinity of the plantations. These oil palm plantations have commenced harvesting activities, however, the harvested areas are relatively small as at end of the financial year. Harvesting of newly mature fields in the oil palm plantation of the joint venture located in South Sumatera Province, Indonesia has been delayed due to the unrest in the villages neighbouring the estate. Commencement of harvesting is pending clearance by the relevant authorities. The Group suffered an overall loss of RM4,051,686 from its share of results of the investments in oil palm plantations in Indonesia.

Overall, profit after tax of the Group under review increased by 44.61% to RM36,023,474 and correspondingly, earnings per stock unit increased to 39.43 sen.

Production of ffb increased by 7.38% to 190,322 m/t. Purchases of ffb also increased by 49.68% to 20,385 m/t. Correspondingly, production of crude palm oil increased by 12.77% to 34,168 m/t and production of palm kernel also increased by 12.79% to 9,427 m/t.

During the financial year 2014, an additional 180 hectares of old and low yield palms were replanted.

Replanting of approximately 1,100 hectares of old and low yield palms will take place during the financial year 2015.

Dividends

Total gross dividends of 42% in respect of the financial year ended 31 August 2014 were paid during the financial year. i.e. a first interim dividend of 13% less 25% taxation and a special dividend of 17% less 25% taxation and a second interim single tier dividend of 12%. The total dividend payments were RM31,520,320, i.e. an increase of 76.92%.

In view of the payment of the interim and special dividends, the Board do not recommend a final dividend in respect of the financial year ended 31 August 2014. However, a first interim single tier dividend of 8% in respect of the financial year ending 31 August 2015 has been declared and this will be paid on 30 January 2015.

Outlook for financial year 2015

The selling prices of ffb, crude palm oil and palm kernel have weakened since the end of the financial year 2014. Should this trend continue, it would have a corresponding effect on the financial performance for the financial year ending 31 August 2015.

CHAIRMAN'S STATEMENT**Appreciation**

On behalf of the Board of Directors, I would like to thank the management and staff for their diligence and commitment. Our suppliers and customers also deserve our thanks for their understanding and support. Lastly, I would like to thank our shareholders for their patience and support.

Goh Eng Chew
Executive Chairman

31 December 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Description of business

Chin Teck Plantations Berhad ('Company') was incorporated on 14 August 1958.

The principal activities of the Company are the cultivation of oil palms, production and sale of fresh fruit bunches ('ffb'), crude palm oil and palm kernel and investment holding.

The Company currently has three estates, namely, Jemima and Sungei Sendayan Estate, Gua Musang Estate and Keratong Estate with a total land bank of approximately 11,327 hectares.

The Company also owns three mills with a total milling capacity of 68 m/t per hour.

The Group also has interests in oil palm plantations in Indonesia and property development in Malaysia.

Group financial review

Revenue of the Group for the financial year 2014 increased by 15.96% to RM118,873,686 from RM102,508,426 a year ago.

This is mainly due to improvement in the average selling prices of ffb and palm kernel and the sales volume of crude palm oil and palm kernel when compared with those of the preceding financial year.

Average selling prices per tonne:-

	Financial year		
	2014	2013	+/-
	RM	RM	%
ffb	541	475	+13.89
Crude palm oil	2,487	2,489	-0.08
Palm kernel	1,690	1,262	+33.92

Overall operating expenses were higher mainly due to increase in the production and purchase of ffb and an amount of unrealised loss in foreign exchange.

Interest income decreased by 0.52% to RM5,715,878 from RM5,745,816. Dividend income increased by 18.84% to RM2,553,812 from RM2,148,880.

Other income decreased by 53.59% to RM984,195 from RM2,120,695. Included in the previous financial year's other income was unrealised gain on foreign exchange amounted to RM1,503,891 as compared with unrealised loss on foreign exchange amounted to RM1,244,935 in the current financial year under review.

Overall profit from share of results of associates was mainly due to positive contribution from an associate engaged in property development as it continued to perform satisfactorily with a contribution of RM3,564,436 to the profit before tax of the Group.

The effective tax rate is 23.59% which is lower than the statutory tax rate of 25% mainly due to certain income which are not assessable for income tax purposes and the effect of share of results of associates.

Overall, profit after tax of the Group under review increased by 44.61% to RM36,023,474 and correspondingly, earnings per stock unit increased to 39.43 sen.

Cash and bank balances decreased by 2.79% to RM217,318,975 from RM223,554,996 mainly due to net cash flows used in investing activities, payment of dividends and unfavourable exchange rate changes on cash and cash equivalents even though there were net cash flows generated from operating activities.

During the financial year under review, the Company paid a total net dividend of 34.50%, comprising a first interim net dividend of 9.75%, a special net dividend of 12.75% and a second interim single tier dividend of 12%. The total dividend payments were RM31,520,320, i.e. an increase of 76.92%. The dividend payout ratio increased to 87.50% from 71.52%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial review (cont'd.)

The Group did not have any borrowings in the financial year 2014 and its strategy in the current financial year, which was unchanged from previous financial year, was to maintain a debt free capital structure and to pay steady amount of dividends to shareholders.

Shareholders' equity decreased by 0.57% to RM617,846,143 or RM6.76 per stock unit.

Operational review

During the financial year 2014, the total average planted area was 10,925 hectares of which 92.27% or 10,081 hectares are mature and 7.73% or 844 hectares are immature.

	Hectares	
Age in years		
Mature area		
Above 25	504	4.61%
21 – 25	4,116	37.68%
16 – 20	1,211	11.08%
11 – 15	32	0.29%
6 – 10	1,823	16.69%
Below 6	2,395	21.92%
	10,081	92.27%
Immature	844	7.73%
	10,925	100.00%

During the financial year 2014, an additional 180 hectares of old and low yield palms were replanted.

Replanting of approximately 1,100 hectares of old and low yield palms will take place during the financial year 2015.

The Group has a replanting schedule covering a period of ten years and this schedule is reviewed quarterly which will ensure progressive replanting on a yearly basis. At each review, prevailing conditions and circumstances are taken into consideration to determine the replanting programme.

Production of ffb increased by 7.38% to 190,322 m/t. Purchases of ffb also increased by 49.68% to 20,385 m/t. Correspondingly, production of crude palm oil increased by 12.77% to 34,168 m/t and production of palm kernel also increased by 12.79% to 9,427 m/t.

The increase in the production of ffb is mainly from the newly mature palms.

Annual ffb yield per hectare is 18.88 m/t.

The mills processed 178,405 m/t of ffb during the financial year 2014. The overall average oil and kernel extraction rates of the mills are 19.15% and 5.28% respectively.

The Group faces shortage of labour in Malaysia. Measures such as improving incentives and welfare are considered and implemented to attract workers. Furthermore, the Group also recruits foreign workers from various sources rather than depending on a single source.

The Group has also taken measures to plant better yielding seedlings during its replanting programme.

Good agriculture and milling practices are constantly being implemented with the aim to improve productivity and efficiency.

In an effort to optimise the utilisation of land, the Group is continuously studying the possibility and feasibility of planting other crops in areas that are not suitable for planting of oil palms. During the financial year 2014, an area of 82.50 hectares were cleared for planting of rubber.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investments in oil palm plantations in Indonesia

As reported previously, the oil palm plantations in Lampung Province, Indonesia encountered a suspension in routine harvesting due to unrest in the villages located in the vicinity of the plantations. These oil palm plantations have commenced harvesting activities, however, the harvested areas are relatively small as at end of the financial year. Harvesting of newly mature fields in the oil palm plantation of the joint venture located in South Sumatera Province, Indonesia has been delayed due to the unrest in the villages neighbouring the estate. Commencement of harvesting is pending clearance by the relevant authorities. The Group suffered an overall loss of RM4,051,686 from its share of results of the investments in oil palm plantations in Indonesia.

As at 31 August 2014, a total area of 21,224 hectares have been planted of which 95.51% or 20,272 hectares are mature and 4.49% or 952 hectares are immature.

	Hectares	
Age in years		
Mature		
16 – 20	2,049	9.65%
11 – 15	8,764	41.29%
6 – 10	7,024	33.10%
Below 6	2,435	11.47%
	20,272	95.51%
Immature	952	4.49%
	21,224	100.00%

Production – m/t

ffb	80,190
Crude palm oil	16,859
Palm kernel	4,065

The low production is due to the reasons as mentioned above.

The overall average oil and kernel extraction rates of the mills are 21.74% and 5.24% respectively.

Investment in property development

The Bandar Springhill township, a 1990-acre development by West Synergy Sdn Bhd, the Group's 40% owned associate has progressed well and Bandar Springhill has been gathering investor interest. West Synergy Sdn Bhd plans to step up the pace of its development activities to enable it to launch its projects at the most opportune time and to intensify its marketing efforts.

Prospects

The selling prices of ffb, crude palm oil and palm kernel have weakened since the end of the financial year 2014. Should this trend continue, it would have a corresponding effect on the financial performance for the financial year ending 31 August 2015.

The Group remains optimistic about the long term prospects of palm oil business. Palm oil is one of the vital oils in meeting the world's dietary and energy requirements. Besides its nutritional values, palm oil is widely available and affordable. Palm oil also has vast potential as a renewable energy source. Hence, the global demand for palm products should continue to grow.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is committed to ensure that a high standard of corporate governance is practised throughout the Group in discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

The Board of Directors continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("Code") wherever applicable in the best interests of the shareholders of the Company.

The Board considers that it has generally applied the principles and recommendations of the Code to the extent described in this statement.

1. Board of Directors

Board Charter

The Board has formulated and adopted a charter ('Board Charter') which set out specific functions inter-alia the following:-

- Board composition
- Duties and responsibilities of the Board
- Duties and responsibilities of the management
- Board committees – Audit Committee, Nomination Committee and Remuneration Committee
- Board meetings
- Supply of information
- Code of conduct
- Directors' training
- Directors' remuneration
- Shareholders and other communication
- Financial reporting
- Social responsibilities

The Board Charter is reviewed periodically to ensure its relevance and compliance and is accessible through the Company's website.

Board responsibilities

The Board retains full and effective control of the Company and is responsible for the overall performance of the Company. It focuses mainly on strategies, performance and critical business issues and is responsible for the following: -

- Group's strategic plans
- Conduct of the Group's business
- Principal risks identification and their management
- Succession planning for senior management
- Shareholders communication policy
- Group's internal control system and management information system

Composition of the Board

The Board currently consists of eleven directors: -

- An Executive Chairman
- Three Executive Directors
- Four Independent Non-Executive Directors
- Three Non-Independent Non-Executive Directors

There is an alternate director on the Board.

STATEMENT ON CORPORATE GOVERNANCE

1. Board of Directors (cont'd.)

Composition of the Board (cont'd.)

The Executive Chairman and Executive Directors have vast experience and extensive knowledge in managing the Group's core business, plantations. The Non-Executive Directors have broad business and commercial experience. The Independent Directors are actively involved in various Board Committees and they provide independent assessments and opinions.

The Executive Chairman functions both as Chairman of the Board and Executive Director. The Board is mindful of the combined roles but is comfortable that there is no undue risk involved as the Executive Directors will be informed and consulted before the Executive Chairman makes any significant decision and all major matters and issues are referred to the Board for considerations and approvals. The roles and contributions of Independent Directors also provide an element of objectivity, independent judgement and check and balance on the Board. Furthermore, all related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board considers that its complement of the Independent Non-Executive Directors and Non-Independent Non-Executive Directors provides an effective Board with a mix of general management, accounting and finance and business experience and fairly reflects the investment in the Company by shareholders. The Board complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two or one third of the Board, whichever is higher, to be independent directors.

Besides, the Board believes that the interests of shareholders are best served by the Executive Chairman, who will act in the best interests of the shareholders as a whole since he is representing a major shareholder who has substantial interest in the Company, he is well placed to act on behalf of the shareholders and in their best interests.

All concerns regarding the Company can be conveyed to any one of the directors. As such, the Board has not appointed a senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

The Board acknowledges the importance of board diversity, including gender diversity. The Board believes that for it to function effectively, the requisite skills, experience, knowledge and independence needed is vital, regardless of gender. Therefore, female representation will be considered when vacancies arise and suitable candidates are identified.

The Board has established Board committees, which operate within the defined terms of reference. These committees are: -

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report on Audit Committee for the financial year ended 31 August 2014 is set out on pages 23 to 25 of the Annual Report.

Details of the Nomination Committee and Remuneration Committee are set out on pages 16 to 18 of the Annual Report.

The Board of Directors met four times during the financial year ended 31 August 2014. The Executive Chairman and the Executive Directors explained to the Board the rationale of the matters discussed and the implications on the Company. The directors participated in the discussion and comments were considered before a decision was made.

STATEMENT ON CORPORATE GOVERNANCE**1. Board of Directors (cont'd.)****Composition of the Board (cont'd.)**

The attendances of the directors were as follows: -

Name	Number of meetings attended
Goh Eng Chew	4
Goh Pock Ai	4
Wong Aun Phui	4
Goh Wei Lei	4
Goh Beng Hwa @ Gho Bin Hoa	4
Sio Sit Po	4
Dr Gan Kim Leng	4
Keong Choon Keat	4
Gho Lian Chin	4
Goh Yeok Beng	3
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	4

Supply of information

Each director receives monthly financial statements, which contain information on financial performance and plantation statistics.

Agenda of Board meeting and Board papers for each agenda item are sent to the directors prior to Board meeting. The Board papers include amongst others, quarterly financial results, performance of the estates, financial position of the Group and of the Company, the sales of crude palm oil and palm kernel, the market value of quoted investments, summary of budget and capital expenditure, proposals for major acquisitions and disposals and corporate issues, if any.

Directors have access to information within the Group. Any comments and suggestions for improvements are directed to the Executive Chairman and/or Executive Directors. Directors may also obtain independent professional advice when necessary.

Directors also have direct access to the services of the Company Secretary.

Appointments to the Board

The Nomination Committee was established on 26 April 2001. The members of the Nomination Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dr Gan Kim Leng	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Goh Yeok Beng	- Non-Independent Non-Executive Director

The duties and functions of the Nomination Committee are: -

- To propose new nominees for the Board and Board Committee
 - Recommend to the Board, candidates for directorships to be filled by the shareholders or the Board;
 - Consider, in making its recommendations, candidates for directorships proposed by the executive directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;
 - Recommend to the Board, directors to fill the seats on Board Committees
- to assess directors, including executive directors, on an on-going basis
- to annually review the required mix of skills and experience and core competencies of non-executive directors, effectiveness of the Board as a whole and the Board Committees

The directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other regulatory requirements.

One meeting of the Nomination Committee was held during the financial year ended 31 August 2014. All members attended the meeting.

STATEMENT ON CORPORATE GOVERNANCE

2. Board of Directors (cont'd.)

Directors' training

The Board recognises the importance of continuous training for its members. The directors are encouraged to attend various training programmes and seminars.

All directors are required to attend the training programmes that are prescribed by Bursa Malaysia Securities Berhad from time to time.

All the directors and alternate director had successfully attended the Mandatory Accreditation Programme ("MAP").

During the financial year ended 31 August 2014, the directors and alternate director attended the following programmes: -

Name	Programme	Duration
Goh Eng Chew	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Goh Pock Ai	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Wong Aun Phui	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Goh Wei Lei	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Goh Beng Hwa @ Gho Bin Hoa	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Sio Sit Po	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Dr Gan Kim Leng	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Keong Choon Keat	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
	Nominating Committee Programme	1 day
Goh Yeok Beng	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Gho Lian Chin	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day
Gho Bun Tjin	Trans Generational Entrepreneurship	1/2 day
	Goods and Services Tax ('GST')	1/2 day

Re-election of directors

In accordance with the Articles of Association of the Company, all directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.

The Articles of Association of the Company provides that one-third of the directors, or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office once at least three years but shall be eligible for re-election.

Directors who are of or over the age of seventy years shall retire pursuant to Section 129 of the Companies Act, 1965 and shall be re-appointed under the provision of Section 129(6) of the said Act annually.

The Company would like to continue to retain Goh Beng Hwa @ Gho Bin Hoa, Sio Sit Po, Dr Gan Kim Leng and Keong Choon Keat (who have served as Independent Directors of the Company for more than nine years), on the Board of Directors as Independent Non-Executive Directors and to hold office until the conclusion of the next Annual General Meeting. The Nomination Committee and the Board are confident and believe that they can be tasked to discharge their duties and responsibilities independently and objectively, notwithstanding their tenure on the Board.

Goh Beng Hwa @ Gho Bin Hoa, Sio Sit Po, Dr Gan Kim Leng and Keong Choon Keat have offered themselves for election to act as Independent Non-Executive Directors at the Annual General Meeting on 29 January 2015.

STATEMENT ON CORPORATE GOVERNANCE

2. Directors' remuneration

It is the Company's policy that the level of directors' remuneration is sufficient to attract and retain the directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The Remuneration Committee was established on 26 April 2001. The members of the Remuneration Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Goh Beng Hwa @ Gho Bin Hoa	- Independent Non-Executive Director
	Dr Gan Kim Leng	- Independent Non-Executive Director
	Keong Choon Keat	- Independent Non-Executive Director
	Goh Yeok Beng	- Non-Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors. However, the determination of remuneration packages of directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration.

One meeting of the Remuneration Committee was held during the financial year ended 31 August 2014. All members attended the meeting.

The shareholders at the annual general meeting approve the annual fees payable to the directors. The basic salary for each Executive Director takes into account the compensation practices of other comparable companies and the performance of each individual director. Salary will be reviewed annually (although not necessary increased). Appropriate adjustments will be made to reflect performance and increased responsibilities. Executive Directors are entitled to a commission, which is dependent on the financial performance of the Company based on an established formula.

The details of the total remuneration of the Executive Directors and Non-Executive Directors for the financial year ended 31 August 2014 are as follows:-

	No. of Directors	Fees RM	Salaries RM	Commission RM	Other RM	Total RM
Executive Directors						
	1	41,000	360,000	262,295	12,000	675,295
	1	31,000	264,000	190,759	12,000	497,759
	1	31,000	234,000	166,914	12,000	443,914
	1	31,000	222,000	166,914	12,000	431,914
	4	134,000	1,080,000	786,882	48,000	2,048,882
Non-Executive Directors						
	1	61,000	-	-	30,000	91,000
	1	49,000	-	-	30,000	79,000
	1	43,000	-	-	24,000	67,000
	1	43,000	-	-	18,000	61,000
	1	37,000	-	-	18,000	55,000
	1	37,000	-	-	15,000	52,000
	1	31,000	-	-	12,000	43,000
	7	301,000	-	-	147,000	448,000
	11	435,000	1,080,000	786,882	195,000	2,496,882

STATEMENT ON CORPORATE GOVERNANCE

3. Shareholders

Dialogue between the Company and investors

The annual and quarterly reports and the various mandatory announcements are the primary modes of communication to report on the Group's financial performance and operations and corporate developments. The annual reports are despatched to shareholders. Shareholders and the members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing the websites of the Company and Bursa Malaysia Securities Berhad. It is not the practice of the Company to organise briefing sessions or investor forums for analysts and fund managers.

Annual general meeting

The annual general meeting is the principal forum for dialogue with shareholders. Notice of the annual general meeting and the annual report are despatched to shareholders. Notice of the annual general meeting is also published in a leading English newspaper. At the annual general meeting, shareholders have direct access to the directors and are given the opportunity to ask questions during the question and answer session prior to the resolution to receive and adopt the audited annual financial statements and directors' report. Suggestions and comments by shareholders are noted by directors for consideration.

4. Accountability and audit

Financial reporting

In presenting the annual and quarterly financial statements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 34 of the annual report and the statement explaining the directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.27 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 27 of the annual report.

Internal control

The directors acknowledge their responsibilities for the Group's system of internal control, which has been designed to meet the Group's particular needs. The system of internal control is designed to manage risks to which the business of the Group is exposed rather than eliminate the risk of failure to achieve business objectives.

The directors continue to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets.

Internal audit

The internal audit functions have been outsourced to J. S. Lim & Co., chartered accountants (Malaysia), with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

Relationship with the independent auditors

The Company has always maintained a formal and transparent relationship with its independent auditors.

The role of the Audit Committee in relation to the independent auditors is set out in the report on Audit Committee on pages 23 to 25 of the annual report.

STATEMENT ON CORPORATE GOVERNANCE

5. Code of Conduct

The Board has established a code of business conduct ('Code of Conduct') to be complied with by the directors and members of the management. The Code of Conduct is in addition to any other obligations that are imposed on the directors by any applicable rules, laws and regulations.

The Code of Conduct covers the following:-

- Honesty and integrity
- Compliance with laws
- Conflict of interests
- Confidentiality

The Code of Conduct will be reviewed by the Board periodically.

6. Strategies for Sustainability

It is the aspiration of the Board to manage its plantation operations in a socially and environmentally responsible manner.

Sustainable strategies and practices have been outlined for implementation:-

- Zero burning policy
- Effective water management
- Soil enrichment and conservation
- Pest management
- Health and safety at work place
- Human resource development
- Maintaining a debt free capital structure and to pay steady amount of dividends to shareholders

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors is pleased to present the statement about the risk management and internal control of the Group comprising the Company and its subsidiary.

Responsibility

The Board has overall responsibility for maintaining an effective and sound system of risk management and internal control and for reviewing its adequacy and recognises that there are inherent limitations to any system of risk management and internal control.

The system of risk management and internal control has been designed to meet the particular needs of the Group and to manage risks, which the Group is exposed rather than eliminating the risk of failure in achieving business objectives.

In pursuing these objectives, risk management and internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, it should be recognised that the cost of managing risk and control procedures should not outweigh or exceed the expected benefits.

Risk management

Management regularly review, identify, evaluate, monitor and manage the significant risks faced by the Group. In addition, the internal auditors, using a risk-based approach, annually review the operational procedures and processes to ensure the integrity of the management information system.

The Audit Committee chaired by an Independent Non-Executive Director and its members comprising Independent Non-Executive Directors, provide an independent review of the process of the Group for producing financial data, the adequacy, effectiveness and integrity of risk management and the system of internal control.

Key elements of internal control

- **Organisational structure**

The Group is headed by the Executive Chairman and assisted by three Executive Directors. The Executive Chairman and Executive Directors have many years of experience in managing the Group's core business i.e. plantations.

There is in place an operating structure with clear defined lines of accountability and delegated authority for the estates.

- **Policies manual**

There is a Policy Manual including Authority Limit to serve as guidance for the operations and personnel of the Group to function within the accepted practices of the Group.

- **Audit committee and internal audit**

The Audit Committee was established with a view to assist the Board in discharging its duties. The internal audit function has the primary objective to carry out a review of the internal control system to determine if the accounting and internal control procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee. An internal audit report is prepared by J. S. Lim & Co., chartered accountants (Malaysia), and presented to the Audit Committee. The internal audit report summarises the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit report also covers the follow-up by the management on implementation of recommendations in their earlier reports.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Key elements of internal control (cont'd.)

- **Financial report**

The Group has in place a reporting mechanism whereby Directors receive monthly financial statements, which contain information on financial performance and plantation statistics.

Periodical meetings of the Board and Audit Committee are held. Quarterly financial results, performance of the estates, financial position of the Company, the market value of its quoted investments, the sales of fresh fruits bunches, crude palm oil and palm kernel, summary of budgets and capital expenditure, plantations statistics and progress of oil palm planting and financial performance of the joint ventures on oil palm plantation in Indonesia and performance of the joint venture engaged in property development are presented to the Board at the Board meetings.

- **Estates visits**

Executive Directors and the members of management team regularly visit the Group's estates and mills to monitor the state of affairs of the estates and mills. During the visits, the estate managers and mill engineers report on the progress and performance of the respective estates and mills and discuss and resolve the estates and mills operational and key management issues.

- **Review of recurrent related party transactions**

All recurrent related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.

Conclusion

Based on the foregoing as well as the inquiries and information provided, the Board is assured that the risk management process and system of internal control is operating adequately and satisfactory in all material aspects to meet the business objectives of the Group for the financial year under review and up to the date of approval of this statement.

Review of the statement by external auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 August 2014, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditor was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the board of directors in respect of any aspect of this report.

REPORT ON AUDIT COMMITTEE

The Board of Directors of Chin Teck Plantations Berhad is pleased to present the report on the Audit Committee for the financial year ended 31 August 2014.

Members of the Audit Committee

The members of the Audit Committee during the financial year ended 31 August 2014 are as follows: -

Chairman	Keong Choon Keat	- Independent Non-Executive Director
Members	Dr Gan Kim Leng	- Independent Non-Executive Director
	Sio Sit Po	- Independent Non-Executive Director

Terms of reference

The Terms of Reference of the Audit Committee are as follows: -

1. Formation
 - 1.1 The Board pursuant to its resolution formed the Audit Committee on 25 June 1994.
2. Membership
 - 2.1 The members of the Audit Committee shall be appointed by the Board from amongst their number and shall consist of not fewer than three (3) members all of whom shall be independent directors.
 - 2.2 At least one (1) member of the Audit Committee: -
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and: -
 - (iii) (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - 2.3 No alternate director can be appointed as a member of the Audit Committee.
 - 2.4 The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.
 - 2.5 If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 2.1 and 2.2 above, the Board shall within three (3) months of that event, fill the vacancy.
 - 2.6 The Company Secretary or such other person as the Audit Committee may determine shall be the Secretary of the Audit Committee.
3. Meeting
 - 3.1 Meetings of Audit Committee shall be held at least four (4) times a year.
 - 3.2 In order to form a quorum in respect of a meeting of an Audit Committee, the majority of members present must be independent directors.
 - 3.3 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believes should be brought to the attention of the Board or shareholders.
 - 3.4 The Audit Committee shall meet with the external auditors without the presence of the executive directors at least twice a year.
 - 3.5 At least 5 calendar days' notice should be given to members of the Audit Committee before a meeting is held. In an emergency meeting, the notice can be shortened provided majority of members agree.
 - 3.6 Each member is entitled to one vote. Decision arising from any meeting shall be by majority of votes. The Chairman has no casting vote.
 - 3.7 Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

REPORT ON AUDIT COMMITTEE**Terms of reference (cont'd.)****4. Authority**

4.1 The Audit Committee is authorised to investigate any activity within its term of reference.

4.2 The Audit Committee shall have the resources, which are required to perform its duties.

4.3 The Audit Committee shall have full and unrestricted access to any information pertaining to the Group and is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee and is free to summon any employee to appear before the meeting of the Audit Committee.

4.4 The Audit Committee is authorised to communicate directly with the external auditors and person(s) carrying out the internal audit function.

4.5 The Audit Committee is authorised to obtain independent professional service or other service and to secure the attendance of persons with relevant experience and expertise at the meeting of the Audit Committee, if it considers necessary.

5. Duties and functions

5.1 The duties and functions of the Audit Committee shall be: -

- (a) to review with the external auditors, the audit plan.
- (b) to review with the external auditors, their evaluation of the system of internal controls.
- (c) to review with the external auditors, their audit report.
- (d) to review the assistance given by the employees to the external auditors.
- (e) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (f) to review the internal audit programme, processes, the results of the internal audit programme, process or investigation and consider the findings and recommendations of the internal audit and management's response.
- (g) to review any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (h) to review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on: -
 - any change in or implementation of accounting policies and practices
 - the going concern assumption
 - significant and unusual events
 - significant adjustments arising from the audit
 - compliance with accounting standards and other legal requirements
- (i) to review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (j) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary)
- (k) to consider the appointment of the external auditors, audit fee and any questions of resignation or dismissal.

5.2 To consider other topics as defined by the Board.

6. Minutes

6.1 The Audit Committee shall cause minutes to be duly entered in books provided for the purpose of all proceedings of meetings of Audit Committee.

6.2 Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.

6.3 The Secretary shall circulate the minutes of meetings of Audit Committee to all members of the Board.

REPORT ON AUDIT COMMITTEE

Terms of reference (cont'd.)

7. Reporting of breaches to Bursa Malaysia Securities Berhad
- 7.1 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.
8. Review of the Audit Committee
- 8.1 The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties in accordance with the terms of reference.

Number of meetings of Audit Committee held during the financial year ended 31 August 2014 and attendance of each member of Audit Committee

During the financial year ended 31 August 2014, a total of four meetings were held.

The attendance of each member is as follows: -

	<u>Number of meetings attended</u>
Keong Choon Keat	4
Dr Gan Kim Leng	4
Sio Sit Po	4

Summary of the activities of the Audit Committee during the financial year ended 31 August 2014

The Audit Committee met at scheduled times. Agendas were planned and itemised so that matters were deliberated and discussed in a focused and detailed manner.

The Audit Committee carried out the following activities during the financial year ended 31 August 2014:-

- (a) Meeting with the external auditors twice without the executive directors being present.
- (b) Review of the quarterly and annual financial statements prior to submission to the Board of Directors for consideration and approval.
- (c) Review of the audit report and any internal control weaknesses report and recommendations made by the external auditors as well as internal audit report and recommendations made by the internal auditors.
- (d) Review of the audit plans for the financial year prepared by the external and internal auditors as well as the recommendation of their respective fees to the Board.
- (e) Consider and recommend to the Board of Directors the re-appointment of external auditors.
- (f) Review the transactions with related parties as disclosed in the annual financial statements.

Internal audit functions

The internal audit functions have been outsourced to J. S. Lim & Co., chartered accountants (Malaysia), with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee.

During the financial year under review, the internal auditors visited the estates of the Company. The internal auditors presented their report to the Audit Committee at a meeting of the Audit Committee. The internal audit report summarises the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit report also covers the follow-up by the management on implementation of recommendations in their earlier reports. The total cost of internal audit for the financial year under review amounted to RM64,300.

CORPORATE SOCIAL RESPONSIBILITY

Health and safety

The Company is committed to provide a safe and healthy working environment for all employees. Health and safety consideration will not be compromised in all processes and activities. Relevant health and safety programmes will be implemented with the ultimate objective of achieving "Zero Accident" at work place. To achieve this objective, the Company has established a Health and Safety Committee which is entrusted with the functions of cultivating safe working practices and behaviour at the work place.

Workers at work place are provided with safety equipment and working procedures. They are provided with regular training and briefing on health and safety matters.

Injury investigations are conducted and analysis reports are prepared to determine the root cause for preventing or reducing accidents in the future.

Approved codes of health and safety practices are to be strictly adhered to by all parties concerned.

Environmental management

Our palm oil mills adhere to strict compliance with the environmental laws governing mill operations, maintenance and improvements in areas relating to environmental standards, emission standards, noise level management and treatment of effluents and waste disposal.

The mill advisor and visiting engineer reviews environmental issues and compliance. Appropriate recommendations are made and necessary actions are taken for further improvement in compliance with environmental and related standards.

Human resource development

The Company believes that proper training and development programme is necessary in developing and upgrading workers' skills and knowledge to achieve an optimal performance. Workers are encouraged to attend relevant external trainings and seminars. In-house trainings are also conducted for workers.

Recognising the social needs, quarters are provided to staff and workers in the estates. Furthermore, the estates provide facilities to take care of the young children of the workers. Sports facilities such as football fields, badminton courts and table tennis tables, are provided for workers to engage in healthy activities during their free time. The estates also provide transportation for workers' school going children.

To foster a better rapport among the workforce, the estates organise social events on festive and cultural occasions.

Community

Additionally, the Company also makes monetary donations and contributions to charitable organisations from time to time.

**STATEMENT ON DIRECTORS' RESPONSIBILITY
FOR THE PREPARATION OF ANNUAL AUDITED FINANCIAL STATEMENTS**

The Directors are required by the Companies Act, 1965 ('Act') to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and their financial performance and cash flows for the financial year.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group and which enable them to ensure that the financial statements of the Company and of the Group comply with the Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors consider that the financial statements set out on pages 37 to 84 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors have engaged independent auditors who are required to undertake inspection and make enquiries they consider to be appropriate for the purpose of enabling them to give their audit report set out on pages 35 and 36.

This statement is made in accordance with a resolution of the Board of Directors dated 30 October 2014.

GROUP FINANCIAL PROFILE

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Revenue	111,443	143,343	119,224	102,508	118,874
Cost of sales	(42,624)	(50,359)	(39,279)	(43,442)	(51,429)
Gross profit	68,819	92,984	79,945	59,066	67,445
Interest income	3,170	4,444	5,356	5,746	5,716
Dividend income	1,768	1,768	2,059	2,149	2,554
Other income	883	3,932	1,952	2,121	984
Selling expenses	(2,376)	(2,247)	(2,089)	(2,403)	(2,972)
Administrative expenses	(11,153)	(12,238)	(15,302)	(18,582)	(20,700)
Replanting expenses	(6,319)	(6,290)	(5,850)	(6,683)	(4,011)
Other expense	(1,416)	-	(158)	(57)	(1,314)
Share of results of associates	8,092	15,199	3,468	(5,637)	1,427
Share of results of a joint venture	(895)	(1,780)	(982)	(1,290)	(1,982)
Profit before tax	60,573	95,772	68,399	34,430	47,147
Income tax expense	(13,693)	(19,758)	(15,724)	(9,519)	(11,124)
Profit net of tax	46,880	76,014	52,675	24,911	36,023
Dividends	27,409	32,890	27,409	17,816	31,520
Analysis of share of results of associates and joint venture :					
Plantations	5,672	10,404	(247)	(10,301)	(4,052)
Property development	1,669	3,023	2,773	3,350	3,564
Management and advisory services and insurance agent	(144)	(8)	(40)	24	(67)
	7,197	13,419	2,486	(6,927)	(555)
Earnings per stock unit (sen)					
Basic	51.31	83.20	57.65	27.27	39.43
Diluted	51.31	83.20	57.65	27.27	39.43
Net dividend (%)					
First interim	12.00	13.50	12.00	9.75	9.75
Special	-	-	-	-	12.75
Second interim	18.00	22.50	18.00	9.75	12.00
	30.00	36.00	30.00	19.50	34.50
Dividend cover (times)	1.71	2.31	1.92	1.40	1.14
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Net cash flows from operating activities	36,570	57,597	39,443	25,648	35,168
Net cash flows (used in)/from investing activities	(7,820)	(1,921)	5,222	(1,461)	(8,673)
Net cash flows used in financing activities	(27,409)	(32,890)	(27,409)	(17,816)	(31,520)
Net increase/(decrease) in cash and cash equivalents	1,341	22,785	17,256	6,371	(5,025)
Effects of exchange rate changes on cash and cash equivalents	(1,416)	2,215	145	1,504	(1,245)
Cash and cash equivalents at 1 September	172,217	172,142	197,142	214,543	222,418
Cash and cash equivalents at 31 August	172,142	197,142	214,543	222,418	216,148
Deposits pledged for bank guarantee facilities	1,048	1,074	1,104	1,137	1,171
Cash and bank balances	173,190	198,216	215,647	223,555	217,319

GROUP FINANCIAL PROFILE

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Assets					
Non-current assets					
Property, plant and equipment	39,304	40,559	41,445	42,602	45,893
Biological assets	74,225	74,225	74,225	74,225	74,934
Investments in associates	194,253	210,093	207,690	192,398	186,755
Investment in a joint venture	23,217	22,523	20,675	19,534	15,833
Investment securities	34,526	55,912	58,736	72,716	85,200
	<u>365,525</u>	<u>403,312</u>	<u>402,771</u>	<u>401,475</u>	<u>408,615</u>
Current assets					
Inventories	2,447	2,572	2,676	2,823	2,531
Receivables	8,567	7,625	7,798	9,354	7,028
Tax receivable	-	-	174	-	5
Cash and bank balances	173,190	198,216	215,647	223,555	217,319
	<u>184,204</u>	<u>208,413</u>	<u>226,295</u>	<u>235,732</u>	<u>226,883</u>
Total assets	<u>549,729</u>	<u>611,725</u>	<u>629,066</u>	<u>637,207</u>	<u>635,498</u>
Current liabilities					
Payables	6,892	6,999	6,872	8,058	9,701
Income tax payable	1,482	2,674	-	1,391	758
	<u>8,374</u>	<u>9,673</u>	<u>6,872</u>	<u>9,449</u>	<u>10,459</u>
Non-current liabilities					
Deferred tax liabilities	6,389	6,373	6,207	6,360	7,192
Total liabilities	<u>14,763</u>	<u>16,046</u>	<u>13,079</u>	<u>15,809</u>	<u>17,651</u>
Equity attributable to owners of the Company					
Share capital	91,363	91,363	91,363	91,363	91,363
Share premium	19,654	19,654	19,654	19,654	19,654
Other reserves	578	18,149	13,171	11,467	3,393
Retained profits	423,371	466,513	491,799	498,914	503,437
Total equity	<u>534,966</u>	<u>595,679</u>	<u>615,987</u>	<u>621,398</u>	<u>617,847</u>
Total equity and liabilities	<u>549,729</u>	<u>611,725</u>	<u>629,066</u>	<u>637,207</u>	<u>635,498</u>
Net assets per stock unit (RM)	5.86	6.52	6.74	6.80	6.76

PLANTATIONS STATISTICS

	2010	2011	2012	2013	2014
Malaysia					
Planted Area (Hectares)					
Oil palm	10,958	10,960	10,925	10,925	10,925
Rubber	-	-	-	-	83
Oil palm					
Age in years					
Mature					
Above 25	15.35%	10.57%	8.66%	6.30%	4.61%
21 – 25	5.29%	1.93%	37.05%	37.68%	37.68%
16 – 20	37.57%	38.39%	4.65%	6.89%	11.08%
11 – 15	11.05%	9.84%	7.06%	4.19%	0.29%
6 – 10	4.46%	11.34%	13.46%	16.34%	16.69%
Below 6	26.28%	27.93%	29.12%	28.60%	29.65%
	100.00%	100.00%	100.00%	100.00%	100.00%
Production (m/t)					
ffb					
- own estates	169,851	160,146	157,647	177,240	190,322
- purchased	33,532	28,679	11,962	13,619	20,385
	203,383	188,825	169,609	190,859	210,707
Crude palm oil	32,818	30,160	25,773	30,298	34,168
Palm kernel	9,584	8,591	7,263	8,358	9,427
Extraction Rate (%)					
Crude palm oil	19.54	19.57	19.37	19.30	19.15
Palm kernel	5.71	5.57	5.46	5.32	5.28
Joint Ventures In Indonesia					
Planted Area (Hectares)	20,484	20,641	21,122	21,224	21,224
Age in years					
Above 25	-	-	-	-	-
21 – 25	-	-	-	-	-
16 – 20	-	-	4.32%	4.30%	9.65%
11 – 15	20.45%	21.65%	34.17%	34.01%	41.29%
6 – 10	34.80%	34.40%	30.85%	30.70%	33.10%
Below 6	44.75%	43.95%	30.66%	30.99%	15.96%
	100.00%	100.00%	100.00%	100.00%	100.00%
Production (m/t)					
ffb					
- own estates	137,451	127,835	77,556	66,045	80,190
- purchased	50,195	57,449	6,317	4,677	4,584
	187,646	185,284	83,873	70,722	84,774
Crude palm oil	40,827	40,046	19,094	15,353	16,859
Palm kernel	8,472	8,315	3,593	3,682	4,065
Palm kernel oil	2,180	2,243	-	-	-
Kernel cake	2,724	2,827	-	-	-
Extraction Rate (%)					
Crude palm oil	21.76	21.61	22.77	21.71	21.74
Palm kernel	4.51	4.49	4.28	5.21	5.24
Palm kernel oil	42.67	40.90	-	-	-
Kernel cake	53.30	51.55	-	-	-

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 August 2014.

Principal activities

The principal activities of the Company are the cultivation of oil palms, production and sale of fresh fruit bunches, crude palm oil and palm kernel and investment holding.

The principal activity of the subsidiary is that of investment holding.

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

Results

	Group RM	Company RM
Profit net of tax	36,023,474	36,570,290

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

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

Dividends

The amount of dividends paid by the Company since 31 August 2013 were as follows:

	RM
In respect of the financial year ended 31 August 2014:	
First interim dividend of 13% less 25% taxation and special dividend of 17% less 25% taxation, on 91,363,250 ordinary stock units, declared on 29 November 2013 and paid on 30 December 2013	20,556,730
Second interim single tier dividend of 12%, on 91,363,250 ordinary stock units, declared on 24 July 2014 and paid on 29 August 2014	10,963,590
	<u>31,520,320</u>

In view of the payment of the interim and special dividends, the directors do not recommend any final dividend in respect of the current financial year.

Directors

The names of directors of the Company in office since the date of the last report and at the date of this report are:

Goh Eng Chew
Goh Pock Ai
Wong Aun Phui
Goh Wei Lei
Goh Beng Hwa @ Gho Bin Hoa
Gho Lian Chin
Sio Sit Po
Goh Yeok Beng
Gan Kim Leng
Keong Choon Keat
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong
Gho Bun Tjin (alternate to Gho Lian Chin)

DIRECTORS' REPORT**Directors' benefits**

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in stock units in the Company during the financial year were as follows:

	<----- Number of ordinary stock units of RM1 each ----->			
	1 September 2013	Bought	Sold	31 August 2014
The Company				
Direct interest:				
Goh Pock Ai	500,000	-	-	500,000
Wong Aun Phui	1,030,250	-	-	1,030,250
Goh Beng Hwa @ Gho Bin Hoa	3,108,280	-	-	3,108,280
Sio Sit Po	851,376	-	-	851,376
Goh Yeok Beng	24,000	-	-	24,000
Gan Kim Leng	68,812	-	-	68,812
Indirect interest:				
Goh Eng Chew	34,020,968	-	-	34,020,968
Wong Aun Phui #	2,951,905	-	-	2,951,905
Goh Beng Hwa @ Gho Bin Hoa #	1,803,375	-	-	1,803,375
Gho Lian Chin	33,562,968	-	-	33,562,968
Sio Sit Po	1,293,750	-	-	1,293,750
Gan Kim Leng	2,152,875	-	-	2,152,875

Interest by virtue of the interests of children

Goh Eng Chew and Gho Lian Chin by virtue of their interests in the Company, are also deemed interested in the shares of the subsidiary to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in stock units in the Company and shares of its related corporations during the financial year.

DIRECTORS' REPORT

Other statutory information

- (a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 October 2014.

Goh Eng Chew

Wong Aun Phui

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

We, Goh Eng Chew and Wong Aun Phui, being two of the directors of Chin Teck Plantations Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 37 to 84 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2014 and of their financial performance and cash flows for the year then ended.

Other matters

The supplementary information set out in Note 33 on page 85, have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance).

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 October 2014.

Goh Eng Chew

Wong Aun Phui

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

I, Gan Kok Tiong, being the officer primarily responsible for the financial management of Chin Teck Plantations Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 37 to 85 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Gan Kok Tiong at Kuala
Lumpur in the Federal Territory on 30
October 2014.

Gan Kok Tiong

Before me,

Ooi Ah Bah
No. W152
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHIN TECK PLANTATIONS BERHAD

Report on the financial statements

We have audited the financial statements of Chin Teck Plantations Berhad, which comprise the statements of financial position as at 31 August 2014 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 84.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 August 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHIN TECK PLANTATIONS BERHAD**Other matters**

The supplementary information set out in Note 33 on page 85 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Tan Shium Jye
No. 2991/05/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
30 October 2014

**INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014**

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Revenue	4	118,873,686	102,508,426	118,873,686	102,508,426
Cost of sales	4	(51,428,887)	(43,441,751)	(51,428,887)	(43,441,751)
Gross profit		67,444,799	59,066,675	67,444,799	59,066,675
Other items of income					
Interest income		5,715,878	5,745,816	5,698,171	5,669,105
Dividend income	5	2,553,812	2,148,880	2,553,812	5,148,880
Other income	6	984,195	2,120,695	984,195	2,120,695
Other items of expense					
Selling expenses		(2,971,916)	(2,403,321)	(2,971,916)	(2,403,321)
Administrative expenses		(20,700,008)	(18,581,894)	(20,694,949)	(18,578,043)
Replanting expenses		(4,010,287)	(6,682,561)	(4,010,287)	(6,682,561)
Other expenses		(1,314,025)	(57,225)	(1,314,025)	(57,225)
Share of results of associates		1,427,066	(5,636,664)	-	-
Share of results of a joint venture		(1,982,293)	(1,289,967)	-	-
Profit before tax	7	47,147,221	34,430,434	47,689,800	44,284,205
Income tax expense	10	(11,123,747)	(9,519,485)	(11,119,510)	(9,500,433)
Profit net of tax		36,023,474	24,910,949	36,570,290	34,783,772
Earnings per stock unit attributable to owners of the Company (sen per stock unit)					
Basic	11	39.43	27.27		
Diluted	11	39.43	27.27		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014**

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Profit net of tax	36,023,474	24,910,949	36,570,290	34,783,772
Other comprehensive income/(loss):				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Change in tax rates on deferred tax	(941,959)	-	(941,959)	-
Foreign currency translation	(8,822,786)	(5,910,515)	-	-
Net gain on fair value changes of available-for-sale investment securities	1,676,022	4,222,290	1,676,022	4,222,290
- Transfer to profit or loss upon disposal	(510,138)	(87,852)	(510,138)	(87,852)
- Gain on fair value changes	2,186,160	4,310,142	2,186,160	4,310,142
Share of other comprehensive income of an associate	18,932	3,861	-	-
Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(8,069,791)	(1,684,364)	734,063	4,222,290
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Share of other comprehensive income of a joint venture	15,172	-	-	-
Total other comprehensive (loss)/income	(8,054,619)	(1,684,364)	734,063	4,222,290
Total comprehensive income for the year	27,968,855	23,226,585	37,304,353	39,006,062

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 AUGUST 2014

	Note	<----- Group ----->		<----- Company ----->	
		2014 RM	2013 RM	2014 RM	2013 RM
Assets					
Non-current assets					
Property, plant and equipment	13	45,892,763	42,602,217	45,892,763	42,602,217
Biological assets	14	74,934,467	74,224,646	74,934,467	74,224,646
Investment in a subsidiary	15	-	-	48,100,000	48,100,000
Investments in associates	16	186,754,653	192,398,067	114,000,000	114,000,000
Investment in a joint venture	17	15,833,442	19,533,937	27,585,200	27,585,200
Investment securities	18	85,199,632	72,715,821	85,199,632	72,715,821
		<u>408,614,957</u>	<u>401,474,688</u>	<u>395,712,062</u>	<u>379,227,884</u>
Current assets					
Inventories	19	2,531,009	2,823,166	2,531,009	2,823,166
Receivables	20	7,027,537	9,354,113	7,027,029	9,353,134
Income tax recoverable		5,523	-	-	-
Cash and bank balances	21	217,318,975	223,554,996	216,596,962	222,835,350
		<u>226,883,044</u>	<u>235,732,275</u>	<u>226,155,000</u>	<u>235,011,650</u>
Total assets		635,498,001	637,206,963	621,867,062	614,239,534
Current liabilities					
Payables	22	9,701,345	8,057,545	9,698,695	8,055,955
Income tax payable		758,457	1,391,454	758,457	1,389,402
		<u>10,459,802</u>	<u>9,448,999</u>	<u>10,457,152</u>	<u>9,445,357</u>
Non-current liabilities					
Deferred tax liabilities	26	7,192,056	6,360,356	7,192,056	6,360,356
Total liabilities		17,651,858	15,809,355	17,649,208	15,805,713
Equity attributable to owners of the Company					
Share capital	23	91,363,250	91,363,250	91,363,250	91,363,250
Share premium	23	19,654,027	19,654,027	19,654,027	19,654,027
Other reserves	24	3,392,400	11,466,366	39,303,401	38,588,685
Retained profits	25	503,436,466	498,913,965	453,897,176	448,827,859
Total equity		<u>617,846,143</u>	<u>621,397,608</u>	<u>604,217,854</u>	<u>598,433,821</u>
Total equity and liabilities		635,498,001	637,206,963	621,867,062	614,239,534

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014

<----- Non-distributable -----> Distributable -----> Non-distributable ----->

2014 Group	Note	Equity attributable to owners of the Company, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land and biological assets RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM	Employee benefits plan reserve of a joint venture RM
Opening balance at 1 September 2013		621,397,608	91,363,250	19,654,027	498,913,965	11,466,366	16,724,169	(27,129,102)	21,871,299	-
Profit for the year		36,023,474	-	-	36,023,474	-	-	-	-	-
Other comprehensive income/(loss)		(8,054,619)	-	-	-	(8,054,619)	(941,959)	(8,822,786)	1,694,954	15,172
Revaluation reserve of leasehold land realised		-	-	-	19,347	(19,347)	(19,347)	-	-	-
Transactions with owners										
Dividends, representing total transactions with owners	12	(31,520,320)	-	-	(31,520,320)	-	-	-	-	-
Closing balance at 31 August 2014		617,846,143	91,363,250	19,654,027	503,436,466	3,392,400	15,762,863	(35,951,888)	23,566,253	15,172

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014 (CONT'D.)

		<--- Non-distributable ---->			Distributable <----->			Non-distributable <----->		
2013 Group	Note	Equity attributable to owners of the Company, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land and biological assets RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM	Employee benefits plan reserve of a joint venture RM
Opening balance at 1 September 2012		615,986,855	91,363,250	19,654,027	491,799,501	13,170,077	16,743,516	(21,218,587)	17,645,148	-
Profit for the year		24,910,949	-	-	24,910,949	-	-	-	-	-
Other comprehensive income/(loss)		(1,684,364)	-	-	-	(1,684,364)	-	(5,910,515)	4,226,151	-
Revaluation reserve of leasehold land realised		-	-	-	19,347	(19,347)	(19,347)	-	-	-
Transactions with owners										
Dividends, representing total transactions with owners	12	(17,815,832)	-	-	(17,815,832)	-	-	-	-	-
Closing balance at 31 August 2013		621,397,608	91,363,250	19,654,027	498,913,965	11,466,366	16,724,169	(27,129,102)	21,871,299	-

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014 (CONT'D.)

			<----- Non-distributable ---->		Distributable	<----- Non-distributable ----->		
2014 Company	Note	Equity attributable to owners of the Company, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land and biological assets RM	Fair value adjustment reserve RM
Opening balance at 1 September 2013		598,433,821	91,363,250	19,654,027	448,827,859	38,588,685	16,724,169	21,864,516
Profit for the year		36,570,290	-	-	36,570,290	-	-	-
Other comprehensive income		734,063	-	-	-	734,063	(941,959)	1,676,022
Revaluation reserve of leasehold land realised		-	-	-	19,347	(19,347)	(19,347)	-
Transactions with owners								
Dividends, representing total transactions with owners	12	(31,520,320)	-	-	(31,520,320)	-	-	-
Closing balance at 31 August 2014		604,217,854	91,363,250	19,654,027	453,897,176	39,303,401	15,762,863	23,540,538

STATEMENTS OF CHANGES IN EQUITY

2013 Company	Note	Equity attributable to owners of the Company, total RM	<---- Non-distributable ---->			Distributable	<----- Non-distributable ----->	
			Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land and biological assets RM	Fair value adjustment reserves RM
Opening balance at 1 September 2012		577,243,591	91,363,250	19,654,027	431,840,572	34,385,742	16,743,516	17,642,226
Profit for the year		34,783,772	-	-	34,783,772	-	-	-
Other comprehensive income		4,222,290	-	-	-	4,222,290	-	4,222,290
Revaluation reserve of leasehold land realised		-	-	-	19,347	(19,347)	(19,347)	-
Transactions with owners								
Dividends, representing total transactions with owners	12	(17,815,832)	-	-	(17,815,832)	-	-	-
Closing balance at 31 August 2013		598,433,821	91,363,250	19,654,027	448,827,859	38,588,685	16,724,169	21,864,516

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2014**

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Operating activities				
Profit before tax	47,147,221	34,430,434	47,689,800	44,284,205
Adjustments for:				
Depreciation of property, plant and equipment	2,567,161	1,955,662	2,567,161	1,955,662
Gross dividend income	(2,553,812)	(2,148,880)	(2,553,812)	(5,148,880)
Interest income	(5,715,878)	(5,745,816)	(5,698,171)	(5,669,105)
Loss/(gain) on sale of property, plant and equipment	69,090	(33,310)	69,090	(33,310)
Net gain on fair value changes of available-for-sale investment securities (transferred from equity upon disposal)	(510,138)	(87,852)	(510,138)	(87,852)
Property, plant and equipment written off	-	57,225	-	57,225
Share of results of associates	(1,427,066)	5,636,664	-	-
Share of results of a joint venture	1,982,293	1,289,967	-	-
Unrealised loss/(gain) on foreign exchange	1,244,935	(1,503,891)	1,244,935	(1,503,891)
Total adjustments	(4,343,415)	(580,231)	(4,880,935)	(10,430,151)
Operating cash flows before changes in working capital	42,803,806	33,850,203	42,808,865	33,854,054
Changes in working capital				
Decrease/(increase) in inventories	292,157	(146,919)	292,157	(146,919)
Decrease/(increase) in receivables	2,279,770	(1,485,887)	2,279,770	(1,485,887)
Increase in payables	1,643,800	1,185,040	1,642,740	1,185,040
Decrease in amount due from a subsidiary	-	-	-	13,329
Total changes in working capital	4,215,727	(447,766)	4,214,667	(434,437)
Cash flows from operations	47,019,533	33,402,437	47,023,532	33,419,617
Tax paid	(11,850,826)	(7,754,473)	(11,839,014)	(7,737,500)
Net cash flows from operating activities	35,168,707	25,647,964	35,184,518	25,682,117
Investing activities				
Increase in biological assets	(709,821)	-	(709,821)	-
Interest received	5,762,684	5,675,481	5,744,506	5,599,626
Net dividends received from				
- investment securities	2,208,693	1,946,445	2,208,693	1,946,445
- an associate	-	3,600,000	-	-
- a subsidiary	-	-	-	3,000,000
Purchase of property, plant and equipment	(5,998,797)	(3,169,956)	(5,998,797)	(3,169,956)
Purchase of investment securities	(11,586,646)	(10,145,141)	(11,586,646)	(10,145,141)
Proceeds from sale of investment securities	1,612,414	632,125	1,612,414	632,125
Proceeds from sale of property, plant and equipment	72,000	33,310	72,000	33,310
Placement of fixed deposits pledged to banks	(33,835)	(32,664)	(33,835)	(32,664)
Net cash flows used in investing activities	(8,673,308)	(1,460,400)	(8,691,486)	(2,136,255)
Financing activity				
Dividends paid to owners of the Company, representing net cash flows used in financing activity	(31,520,320)	(17,815,832)	(31,520,320)	(17,815,832)
Net (decrease)/increase in cash and cash equivalents	(5,024,921)	6,371,732	(5,027,288)	5,730,030
Effects of exchange rate changes on cash and cash equivalents	(1,244,935)	1,503,891	(1,244,935)	1,503,891
Cash and cash equivalents at 1 September 2013/2012	222,417,980	214,542,357	221,698,334	214,464,413
Cash and cash equivalents at 31 August (Note 21)	216,148,124	222,417,980	215,426,111	221,698,334

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2014

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

The principal activities of the Company are the cultivation of oil palms, production and sale of fresh fruit bunches, crude palm oil and palm kernel and investment holding. The principal activity of the subsidiary is that of investment holding. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 October 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS, Amendments to FRS and Amendments to IC Interpretation which are mandatory for financial periods beginning on or after 1 January 2013 as described fully in Note 2.2.

The financial statements have been prepared on a historical basis except as disclosed in the accounting policies below.

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 September 2013, the Group and the Company adopted the following new and revised FRS, Amendments to FRS and Amendments to IC Interpretation for annual financial periods beginning on or after 1 January 2013.

Effective for annual periods beginning on or after 1 January 2013:

FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interests in Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits
FRS 127	Separate Financial Statements
FRS 128	Investment In Associates and Joint Ventures
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to FRSs	Improvements to FRSs (2012)
Amendments to FRS 1	Government Loans
Amendments to FRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 11 and FRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
Amendment to FRS 101	Presentation of Financial Statements (Improvements to FRSs (2012))
Amendment to FRS 116	Property, Plant and Equipment (Improvements to FRSs (2012))
Amendment to FRS 132	Financial Instruments: Presentation (Improvements to FRSs (2012))
Amendment to FRS 134	Interim Financial Reporting (Improvements to FRSs (2012))
Amendment to IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Liabilities (Improvements to FRSs (2012))

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2014

2. Summary of significant accounting policies (cont'd.)**2.2 Changes in accounting policies (cont'd.)**

The initial applications of the above revised FRS, Amendments to FRS and Amendments to IC Interpretation have no significant impact on the financial statements of the Group and of the Company other than as disclosed below:

FRS 10 Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

Under FRS 10, an investor controls an investee when

- (a) the investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and
- (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under FRS 127 Consolidated Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor that owns less than 50% of the voting shares in an investee has control over the investee. FRS10 requires investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders. The adoption of FRS 10 did not have any financial impact on the Group.

FRS 11 Joint Arrangements

FRS 11 replaces FRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities - Non- monetary Contributions by Venturers.

The classification of joint arrangements under FRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under FRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using equity method.

Upon adoption of FRS 11, the Group has re-evaluated its investment in its only joint arrangement and has reclassified the investment from a jointly controlled entity to a joint venture. Notwithstanding the reclassification, the investment continues to be recognised using equity method. The change does not have any other impact on the Group's consolidated financial position or performance.