



SARAWAK OIL PALMS BERHAD (7949-M)

ANNUAL REPORT

2016

BUILDING
A SUSTAINABLE
FUTURE

Reinventing Family's
Healthy Lifestyle



A PRODUCT OF

SOP
FOODS

MERRIS
花標



OUR VISION

"TO BECOME A DIVERSIFIED CORPORATION WITH REGIONAL RECOGNITION"

OUR CORE VALUES

- INSIST ON QUALITY
- BE COMPETITIVE AND HAVE STRONG WILL TO SUCCEED
- CONTINUOUS IMPROVEMENT IN PRODUCTIVITY AND PERFORMANCE
- INTEGRITY AND PROFESSIONALISM
- TEAM SPIRIT AND UNITY
- CONTINUOUS GROWTH, IMPROVEMENT AND DEVELOPMENT OF SKILL AND KNOWLEDGE
- SEE CHANGES AS OPPORTUNITIES
- ENVIRONMENTALLY AND SAFETY CONSCIOUS

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FIVE YEARS FINANCIAL RECORD

| | 2012 RM '000 | 2013 RM '000 | Group 2014 RM '000 | 2015 RM '000 | 2016 RM '000 |
|---------------------------|-----------------|-----------------|--------------------------|-----------------|------------------|
| RESULTS | | | | | |
| Turnover | 1,314,943 | 1,711,402 | 2,874,718 | 3,670,787 | 4,416,122 |
| Profit before taxation | 213,935 | 139,631 | 160,136 | 123,762 | 195,960 |
| Profit after taxation | 163,602 | 100,636 | 123,399 | 91,903 | 142,288 |
| Total Shareholders' Fund | 1,363,961 | 1,231,619 | 1,330,724 | 1,403,784 | 1,874,679 |
| Total assets | 2,480,635 | 2,467,148 | 2,719,927 | 3,030,413 | 4,332,737 |
| Total borrowing | 644,554 | 825,636 | 931,424 | 1,101,849 | 1,188,332 |
| Issued & paid -up capital | 436,548 | 438,253 | 439,498 | 441,307 | 570,111 |
| Dividend (Net of tax) | 16,360 | 19,693 | 21,963 | 21,997 | 22,090 |

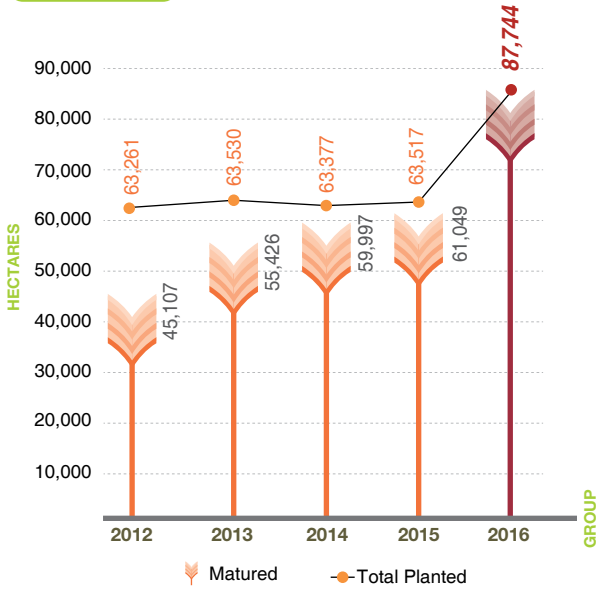
| | | | | | |
|--|------|------|------|------|-------------|
| FINANCIAL STATISTICS | | | | | |
| Profit before taxation / turnover (%) | 16.3 | 8.2 | 5.6 | 3.4 | 4.4 |
| Gross Dividend (sen / share) | 6.0 | 6.0 | 5.0 | 5.0 | 5.0 |
| Net Earnings per share of RM 1 each (sen) – Basic | 36.0 | 21.0 | 26.3 | 20.1 | 28.1 |
| Net Earnings per share of RM 1 each (sen) – Diluted | 35.5 | 20.7 | 26.0 | 20.0 | 28.0 |
| Net tangible assets per share of RM 1 each (RM) | 3.12 | 2.80 | 3.03 | 3.17 | 3.29 |

FIVE YEARS CROP RECORD

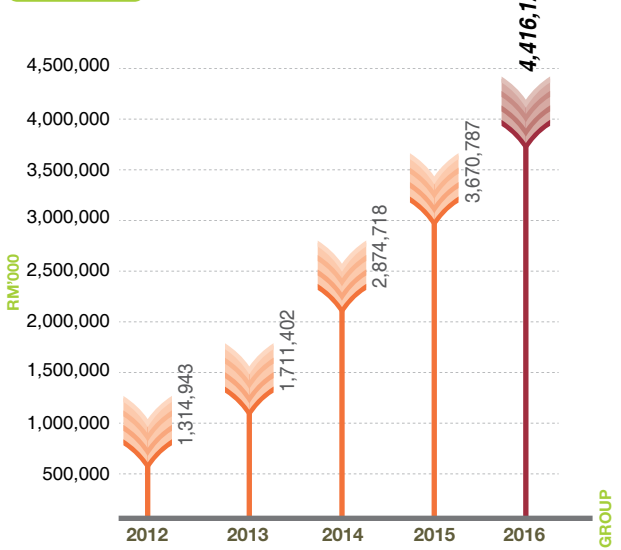
| PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | 2012 Ha | 2013 Ha | 2014 Ha | 2015 Ha | 2016 Ha |
| OIL PALMS | | | | | |
| Mature | 45,107 | 55,426 | 59,997 | 61,049 | 77,115* |
| Immature | 18,154 | 8,104 | 3,380 | 2,468 | 10,629* |
| Total | 63,261 | 63,530 | 63,377 | 63,517 | 87,744* |
| Reserves, Unplanted, Building sites, etc | 9,392 | 9,123 | 9,276 | 9,136 | 32,553* |
| Total Area Under Lease | 72,653 | 72,653 | 72,653 | 72,653 | 120,297* |
| * included newly acquired areas in December 2016 | | | | | |
| | Tonnes | Tonnes | Tonnes | Tonnes | Tonnes |
| FFB CROP | | | | | |
| Estate Crop | 887,425 | 959,499 | 1,049,076 | 1,133,961 | 1,010,836 |
| Outside Crop | 798,106 | 853,066 | 770,991 | 692,580 | 603,045 |
| Total | 1,685,531 | 1,812,565 | 1,820,067 | 1,826,541 | 1,613,881 |
| Crude Palm Oil (Produced) | 347,548 | 364,600 | 367,015 | 355,468 | 315,221 |
| Palm Kernels (Produced) | 73,871 | 78,712 | 79,606 | 76,406 | 66,288 |
| YIELD PER HECTARE | | | | | |
| Tonnes FFB / Mature palms | 18.21 | 17.09 | 17.50 | 18.55 | 16.79 |
| Crude Palm Oil / FFB | 20.67% | 20.14% | 20.26% | 19.88% | 19.97% |
| Palm Kernels / FFB | 4.39% | 4.35% | 4.39% | 4.27% | 4.20% |
| AVERAGE SELLING PRICES | | | | | |
| Refined palm products (RM/mt FOB) | 2,702 | 2,410 | 2,510 | 2,126 | 2,693 |
| Crude Palm Oil (RM/mt FOB) | 2,788 | 2,278 | 2,370 | 2,207 | 2,665 |
| Palm Kernel Oil (RM/mt FOB) | 2,306 | 2,555 | 3,387 | 3,322 | 4,986 |
| Palm Kernel Cake (RM/mt FOB) | 512 | 473 | 495 | 331 | 387 |
| Palm Kernels (RM/mt delivered basis) | 1,464 | 1,310 | 1,503 | 1,473 | 2,372 |

FIVE YEARS STATISTICAL HIGHLIGHTS

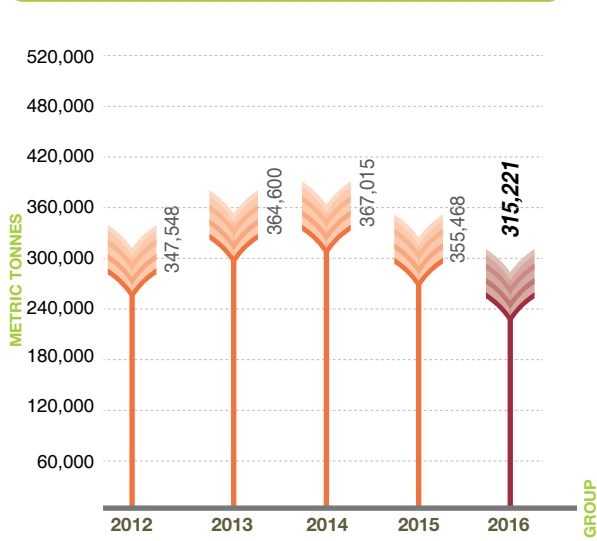
AREA PLANTED



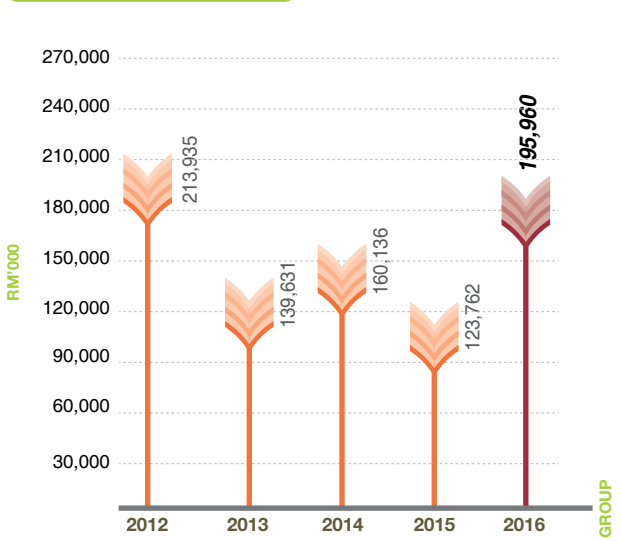
REVENUE



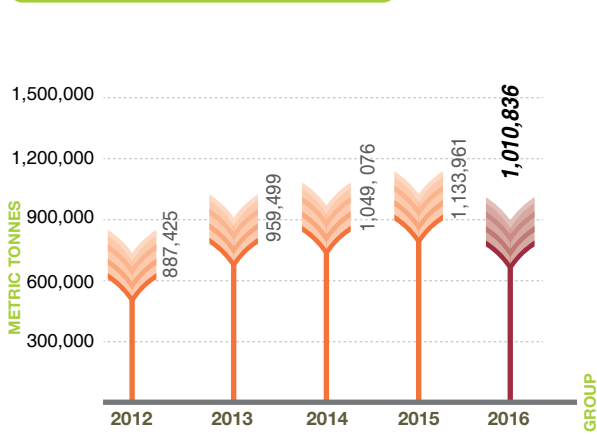
CRUDE PALM OIL PRODUCED INCLUDING OUTGROWERS



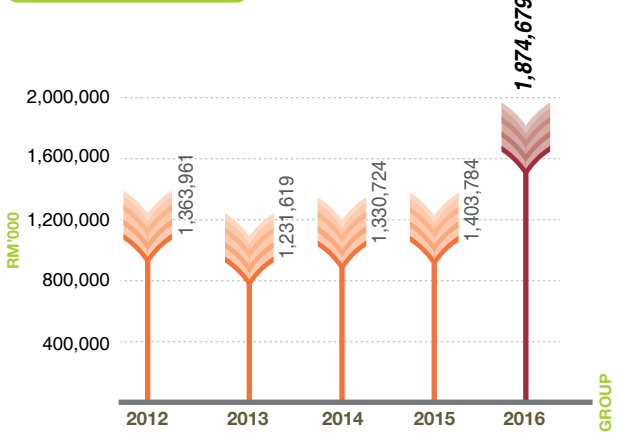
PROFIT BEFORE TAXATION



FRESH FRUIT BUNCHES HARVESTED



SHAREHOLDER FUND



CORPORATE
INFORMATION

Tan Sri Datuk Ling Chiong Ho
(Group Executive Chairman)

Ling Chiong Sing

Ling Lu Kuang

Tang Tiong Ing

Hasbi Bin Suhaili

Gerald Rentap Jabu
(Resigned on 14th February 2017)

Dr. Lai Yew Hock, Dominic

Kamri Bin Ramlee

Fong Yoo Kaw @ Fong Yee Kow, Victor

Chua Chen San
(Appointed on 1st March 2016)

Wong Ngie Yong
(Resigned on 29th February 2016)

GROUP AUDIT AND RISK
MANAGEMENT COMMITTEE

Fong Yoo Kaw @ Fong Yee Kow, Victor
Chairman
Independent Non-Executive

Tang Tiong Ing
Non-Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Chua Chen San
(Appointed on 1 March 2016)
Independent Non-Executive

Wong Ngie Yong
(Resigned on 29 February 2016)
Independent Non-Executive

NOMINATION COMMITTEE

Fong Yoo Kaw @ Fong Yee Kow, Victor
Chairman
Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Tang Tiong Ing
Non-Independent Non-Executive

Wong Ngie Yong
(Resigned on 29 February 2016)
Independent Non-Executive

REMUNERATION COMMITTEE

Fong Yoo Kaw @ Fong Yee Kow, Victor
Chairman
Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Hasbi Bin Suhaili
Non-Independent Non-Executive

GROUP CHIEF EXECUTIVE
OFFICER

Wong Hee Kwong

COMPANY SECRETARY

Eric Kiu Kwong Seng

REGISTERED OFFICE

No. 124-126
Jalan Bendahara,
98000 Miri, Sarawak
Tel : (6085) 436969
Fax : (6085) 432929

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House,
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya, Selangor, Malaysia
Tel : (603) 7849 0777
Fax : (603) 7841 8151/8152

AUDITORS

Ernst & Young
Room 300-303, 3rd Floor
Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching, Sarawak, Malaysia

PRINCIPAL BANKERS

AmBank (M) Berhad
AmBank Islamic Berhad
CIMB Bank Berhad
Export-Import Bank of Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

The Main Board
Bursa Malaysia

STOCK NAME

SOP

STOCK CODE

5126

DOMICILE

MALAYSIA

PROFILE OF BOARD OF DIRECTORS

TAN SRI DATUK LING CHIONG HO

A Malaysian citizen, aged 65, was appointed as Director on 16 June 1995. In 1999, he was appointed as the Group Non-Executive Chairman and was subsequently redesignated as Group Executive Chairman in 2003. He is also the Chairman of the Group Management Committee. In addition to being the current Deputy Chairman of Sarawak Timber Association, he also serves as Chairman/Deputy Chairman of several school boards and charitable organizations in Sarawak.

Tan Sri Datuk Ling is the founder and Chairman of the diversified Shin Yang Group of companies involving in reforestation, wood-based downstream activities, domestic and international shipping, shipbuilding, property development, infrastructure projects, oil palm, public transports, hypermarket and hotel business. He is also the Non-Executive Chairman of Shin Yang Shipping Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

Tan Sri Datuk Ling is the brother of Ling Chiong Sing, a director of SOPB. Tan Sri Datuk Ling is deemed connected to Shin Yang Plantation Sdn Bhd, one of the substantial shareholders of SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorship and/or shareholdings in these companies.

Tan Sri Datuk Ling has attended all five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



View of the blue lake from the hilly area in Metanik Estate

LING CHIONG SING

A Malaysian citizen, aged 60, was appointed as Non-Independent Non-Executive Director on 1 December 2006.

He graduated from Taiwan in Accounting and is currently the Chief Executive Director of a well-diversified Shin Yang Group of Companies in Sarawak. He has more than 30 years of managerial experience and is very hands on in the business of logging, plywood, shipping and shipbuilding, quarry operations, transportation, construction and project fields. He is the Group Managing Director of Shin Yang Shipping Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

He is the brother of Tan Sri Datuk Ling Chiong Ho who is the Group Executive Chairman of SOPB and is deemed connected party to Shin Yang Plantation Sdn Bhd, a substantial shareholder of the SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships and/or shareholdings in these companies.

He has attended all five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



A male Olive - backed Sunbird spot feeding around Tinbarap Conservation Area

LING LU KUANG

A Malaysian citizen, aged 40, was appointed as a Non-Independent Non-Executive Director on 27 June 2008. He is also the Vice Chairman of the Group Management Committee. He graduated from the University of Auckland with Bachelor of Commerce degree double majoring in management and operation management. Currently he is the Executive Director of several companies of Shin Yang Group which has diversified interests including domestic and international shipping, shipbuilding, property development, infrastructure projects, oil palm, public transports, hypermarket and hotel business.

He is the eldest son of Tan Sri Datuk Ling Chiong Ho who is the Group Executive Chairman of SOPB and is deemed connected party to Shin Yang Plantation Sdn Bhd, a substantial shareholder of the SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships and/or shareholdings in these companies.

He has attended four out of the five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

TANG TIONG ING

A Malaysian citizen, aged 58, has been a Non-Independent Non-Executive Director since 16 June 1995. He serves as a member of the Audit and Risk Management Committee and Nomination Committee. He graduated from University of Malaya with Bachelor in Accounting with Honours. He is a Chartered Accountant (Malaysia) and is a member of several professional bodies including the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Fellow Certified Practising Accountants of Australia and Malaysian Association of Company Secretaries.

His career started from Lau Hoi Chew & Co., a Certified Public Accounting firm in 1984 and was promoted to head the Miri Branch in 1985 till 1990. In 1991, he joined Shin Yang Group as a Group Accountant to oversee all the financial and accounting functions, corporate taxation, treasury, corporate planning and company secretarial function of the group. He is an appointed representative of Shin Yang Plantation Sdn. Bhd., a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended four out of the five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

HASBI BIN SUHAILI

A Malaysian citizen, aged 53, was appointed as a Non-Independent Non-Executive Director on 26 August 2005. He also serves as a member of Remuneration committee. He holds a Bachelor of Accountancy and also an Executive Master in Business Administration from MARA University of Technology, Malaysia. He is also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants and Certified Enterprise Risk Manager. He is currently the Deputy Chief Executive Officer (Property) of Pelita Holdings Sdn. Bhd. (PHSB). Prior to this, he has worked as a Manager (Finance / Human Resource) in a transportation company and as an executive in financial institution for the past 20 years. He is an appointed representative of Pelita Holdings Sdn. Bhd. (PHSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF BOARD OF DIRECTORS (CONT'D)



GERALD RENTAP JABU

A Malaysian citizen, aged 47, was appointed as a Non-Independent Non-Executive Director on 24 May 2000. He graduated from the La Trobe University, Melbourne, Australia in 1993 with a Bachelor of Economics degree. He was a Licensed Dealer's Representative (Corporate Investment) in Sarawak Securities Sdn. Bhd. from 1993 to 1995 and was a Project Manager and Consultant for Sarawak Capital Sdn. Bhd. from 1995 to 1996. He is currently the Executive Director of Utahol Management Sdn. Bhd. He is an appointed representative of PHSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended three out of the five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

He resigned from the Board on 14 February, 2017.

DR. LAI YEW HOCK, DOMINIC

A Malaysian citizen, aged 58, was appointed as an Independent Non-Executive Director on 24 February 2000. He serves as a member of the Audit and Risk Management, Nomination and Remuneration Committees. He graduated from the University of Otago, Dunedin, New Zealand with a Bachelor of Laws degree in 1985. He was variously admitted as a Barrister and Solicitor of the High Court of New Zealand in October 1985, as an Advocate of the High Court in Sabah and Sarawak in February 1986, and as an Advocate and Solicitor of the High Court of Malaya in October 1986. He graduated from the University of South Australia, Adelaide, Australia with the degree of Doctor of Business Administration in December 2006. His doctoral thesis is on Corporate Governance. He is also a Commissioner for Oaths, a Notary Public and an Accredited Mediator. He started his own legal firm in Miri, Sarawak in May 1992. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended four out of the five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

KAMRI BIN RAMLEE

A Malaysian citizen, aged 57, was appointed as a Non-Independent Non-Executive Director on 1 April 2011. He holds a degree in LLB (Hons) from University Malaya and also a Master of Business Administration from University Kebangsaan Malaysia. He joined the Land Custody and Development Authority (LCDA) since 1989. He is currently the Senior Manager, Legal & Secretarial Division of Pelita Holdings Sdn Bhd (PHSB), a subsidiary of LCDA, since 2007. Prior to this, he worked as a legal officer with a government agency and a credit officer with a commercial bank in Kuala Lumpur. He is an appointed representative of PHSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

FONG YOO KAW @ FONG YEE KOW, VICTOR

A Malaysian citizen, aged 64, was appointed as an Independent Non-Executive Director on 28 April 2014. He serves as a Chairman of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

He graduated from Victoria University of Wellington, New Zealand with Bachelor's Degree in Commerce and Administration (BCA) in 1975. He is a member of the Chartered Institute of Australia and New Zealand, a member of the Malaysian Institute of Accountants and an Associate member of the Institute of Chartered Secretaries and Administrator (ACIS). He started his career in New Zealand with the Lion Breweries Ltd Group of Companies. From 1979 to 1989, he was the Accountant and Group Secretary and later promoted to Group Financial Controller of the Sarawak Pulp Industries Sdn Bhd Group of companies. Victor joined the international professional service firm of Ernst & Young in 1989 and during his professional career with Ernst & Young for over 20 years he held the positions of senior manager, Director and Partner in Ernst & Young Malaysia and Partner, Ernst and Young, Asia-Pacific.

He is also an Independent Non-Executive Director in Pansar Berhad and YKGI Holdings Berhad. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHUA CHEN SAN (Appointed on 1 March 2016)

A Malaysian citizen, aged 56, was appointed as an Independent Non-Executive Director on 1 March 2016. He serves as a member of the Audit and Risk Management Committee. He graduated with a Bachelor of Commerce degree from the University of Canterbury, New Zealand in 1986. He is a Chartered Accountant (Malaysia) and is a member of the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Institute of Chartered Accountants of New Zealand.

He was a Senior Accountant in Koller & Koller Accountants, New Zealand from 1988 to 1992. He joined Doyon Development Sdn Bhd, Samling Group as a Financial Accountant from 1992 to 1994. From 1994 to 2006, he was the Audit Manager in Liew & Co, Chartered Accountants and Internal Audit Manager in Shin Yang Group from 2006 to 2009. He is currently the Director of Audit, Tax and Consultancy Services in Andy Chia & Co, Chartered Accountants. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended four out of the five Board Meetings held during the financial year ended 31 December 2016. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



PROFILE OF KEY SENIOR MANAGEMENT

WONG HEE KWONG

A Malaysian citizen, aged 55, appointed as the Chief Executive Officer of Sarawak Oil Palms Berhad (“SOPB”) in 1998 and was subsequently redesignated as Group Chief Executive Officer in 2010. He is a Chartered Accountant (Malaysia), a member of the Malaysian Institute of Accountants and Fellow member of Association of Chartered Certified Accountants (FCCA), U.K. He worked in KPMG, EON Finance Berhad and a Government linked company before joining SOPB Group as the Group Finance Manager and Company Secretary in April 1996. His professional experiences include accounting, secretarial, management consultancy, taxation and banking and finance. Currently, he is a council member of Malaysian Palm Oil Association (MPOA) and also a Board member of Trustees of Malaysian Palm Oil Council (MPOC).

He is not related to any director or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. His direct interests in the shares and share options under the Employee Share Option Scheme of SOPB at year end are 2,299,400 shares and 46,200 options respectively.

He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

ERIC KIU KWONG SENG

A Malaysian citizen, aged 46, appointed as the Company Secretary in 1998 and has about 18 years’ experience in corporate secretarial practices. He is currently the Company Secretary and Chief Operating Officer of the Group. He holds an engineering degree in Manufacturing & Management (Hons) from University of Nottingham, U.K and also a Master of Business Administration from University of Leeds (Leeds University Business School, U.K.). He is also a member of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

He is the son-in-law of Tan Sri Datuk Ling Chiong Ho who is the Group Executive Chairman of SOPB. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHUA KIAN HONG

A Malaysian citizen, aged 63, was appointed as the Group Plantation Controller of Sarawak Oil Palms Berhad in April 2000. He graduated from UPM in Diploma of Agriculture, and has more than 40 years’ working experiences in plantation industry. He served as Plantation Executive with major plantation companies in West Malaysia from 1975 to 1994. Thereafter he served as Senior Plantation Executive/Senior Plantation Controller in Sabah from 1994 until 2000. He is not related to any director or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

THO KHENG CHIANG

A Malaysian citizen, aged 38, was appointed as the Assistant Group Financial Controller of SOPB in 2016. He is a Chartered Accountant (Malaysia), a member of the Malaysian Institute of Accountants and a Fellow member of Association of Chartered Certified Accountants (FCCA), U.K. He worked in KPMG and a public listed company before joining SOPB as the Internal Audit Manager in year 2010. His professional experiences include audit and assurance, accounting and corporate exercises. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



**Reinventing Family's
Healthy Lifestyle**



**CHOOSE
HEALTH,
CHOOSE
MERRIS.**

A PRODUCT OF
SOP
FOODS



MeSTI



Business Review



Biodiesel plant

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Chemical tank farm

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, it is my pleasure once again to present the Annual Report of Sarawak Oil Palms Berhad Group (“the Group”) for the Financial Year ended 31 December 2016.

REVIEW OF RESULTS

For the year 2016 the Group registered a profit after tax of RM142.3 million against RM91.9 million in year 2015 representing an increase of 54.8%. The higher profit achieved was mainly attributed to higher palm oil prices realized despite lower fresh fruit bunches (FFB) and lower crude palm oil (CPO) production which were adversely affected by El-Nino weather phenomena. The Group’s FFB production decreased by about 11% compared to preceding year. However, the weighted average realized prices for palm oil products was higher at RM2,689 per tonne (“mt”) compared to RM2,148 per mt for year 2015 .

As a result, basic earnings per share for the year improved to 28.1 cents against 20.1 cents for year 2015.

DIVIDEND

The Group has continued its dividend policy by retaining large part of its available fund to cater for future capital expenditure and continued maintenance of sufficient cash flow liquidity which would render the Group more resilient towards any adverse economic conditions under the current weak economic outlook.

In connection therewith, the Board of Directors has proposed first and final tax exempt dividend of 5% per ordinary share amounting to RM28,505,568 for the Financial Year ended 31st December 2016.

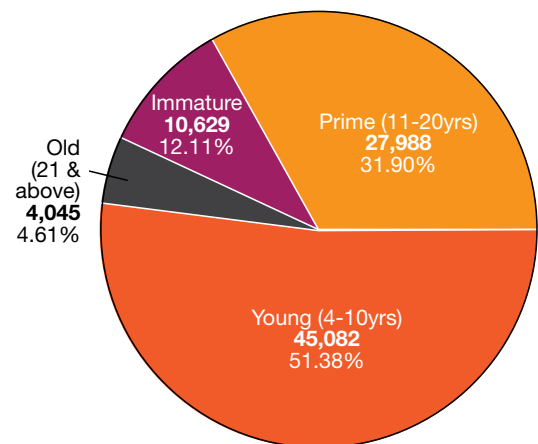
REVIEW OF OPERATIONS

FFB production of the Group dropped from 1.13 million mt to 1.01 million mt, representing a drop of 11% against preceding year’s FFB production. Yield per hectare dropped from 18.55 mt per hectare achieved last year to 16.79 mt due primarily to El-Nino effect. During the year, acquisition of the entire issued and paid up capital of a company which assets consisted of about 47,000 hectares agriculture land bank of which about 23,798 hectares have been planted with oil palms, and also a 60 TPH palm oil mill built thereon for a total cash consideration of RM873 million was completed.

During the year, the Group has also replanted an area of about 1,430 hectares of old palm trees. As such, its planted areas as at 31 December 2016 were 87,744 hectares (Year 2015: 63,517 hectares) as tabulated below:-

Oil palms age profile as at 31st December 2016

| Palm Age (Yrs) | Area (Ha) | Percentage |
|---------------------|---------------|----------------|
| Immature | 10,629 | 12.11% |
| Young (4-10 yrs) | 45,082 | 51.38% |
| Prime (11 -20 yrs) | 27,988 | 31.90% |
| Old (21 & above) | 4,045 | 4.61% |
| Total: | 87,744 | 100.00% |



With more than 60% of its planted areas fall under young palm categories, the Group expects increase in FFB production for the coming years as more palms will attain its prime age.

On milling operation, a total of 1.58 million mt FFB were processed during the year (Year 2015: 1.79 million mt FFB) due to lower FFB production. Mill capacity utilization was at 70% of the Group’s total installed capacity.

CHAIRMAN'S STATEMENT (CONT'D)

During the year, the Group's oil extraction rate ("OER") was 19.97% (2015: 19.88%). With an average yield per hectare of 16.79 mt, the Group's oil per hectare was 3.35 mt. The Group will focus on improving OER where there are rooms for improvement, and together with the shift of the palms age profile from young mature to prime age, the Group would expect improvement in its oil yield per hectare.

On the downstream segment, Refining and Fractionation Plants (installed capacity: 1,500 mt per day) were operating at full capacity whilst Kernel Crushing Plant (installed capacity: 800 mt per day) was running at 70%. Construction and installation of the Phytonutrient Plant with the installed capacity of 15 tonnes per day located at Bintulu has been completed during the year. It is now undergoing trial run and fine-tuning its performance. It is expected to be commissioned by second half of this year.

The Group launched its property development in year 2014 for residential properties adjacent to one of the Group's oil palm plantation which is located at the outskirts of Miri City. To-date 80% residential houses launched have their construction completed. Take-up rate was reasonable.

During the year, the Group also launched some units of commercial shophouses in the vicinity of the aforementioned residential properties to enhance their values. The construction work was in progress, and the take-up rate was reasonable.

Weak sentiments for property market are expected to linger on in tandem with weak global economic climate. Contribution from this business segment to the Group would not be expected significant at this stage.

Further details are in Management Discussion and Analysis on page 18 to 23.

SUSTAINABILITY

The Group strives to have a balanced approach towards people, planet and profit in achieving its corporate visions. Towards this, our Group is fully committed to undertake sustainable agricultural practices, good corporate governance, focusing on occupational safety, health and welfare of workforce, and exercise due corporate social responsibility to the communities it operates in.

The Sustainability Report on page 25 to 37 contains more details on the sustainability initiatives that the Group has embarked on.

HUMAN CAPITAL MANAGEMENT

Being one of the leading plantation groups, the Group streamlines its Human Capital Management (HCM) towards optimizing its workforce productivity.

HCM practices focused on leadership quality, employee engagement, knowledge accessibility and learning capacity to enhance its employees' competencies to drive the organization towards achieving its corporate visions and objectives.

HCM practices in the Group involve internal and external training. For promoting maximum learning capability, SOPB Academy is entrusted to administer and support the HCM activities to ensure they are effectively implemented.

The Group is constantly upgrading and improving all necessary infrastructure and facilities, which includes housing amenities to promote better working and living environment, hence ensuring high productivity and more stable workforce.

PROSPECT

FFB production is expected to recover in year 2017. However current palm products prices which are, to some extent, assisted by weak Ringgit are expected to remain volatile. Moving forward, the Group would expect stiff challenges arisen from turbulent global economic climate, fluctuating palm products prices and escalating operating costs. The Group will continue to improve its efficiency and productivity in order to mitigate the surging cost impacts and to realize the full potential of its present resources.

APPRECIATION

On behalf of the Board, I would once again like to extend our greatest gratitude and appreciation to our employees, customers, business associates and shareholders for their continued support and confidence in the Group.

Tan Sri Datuk Ling Chiong Ho
Group Executive Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this review is to highlight and provide further details on financial and operating information of the Group.

1. Overview of Group's Business and Operation:-

The Group's core businesses remained as oil palm plantation, milling, refining of oil palm products and trading of oil palm products.

During the year, the Company entered into a conditional Share Sale Agreement with Shin Yang Holding Sdn Bhd ("SYHSB") to acquire the entire equity interest in the issued and paid-up share capital of Shin Yang Oil Palm (Sarawak) Sdn Bhd ("SYOP") from SYHSB and assume the inter-company balances owing by SYOP to Shin Yang Forestry Sdn Bhd ("SYFSB"), a separate subsidiary of SYHSB, all for a total cash consideration of RM873 million ("Acquisition").

The main assets of SYOP comprised of a 60 TPH palm oil mill, and land bank of approximately 47,000 hectares of which about 23,798 hectares have been fully planted with oil palms which it earlier acquired from SYFSB.

In conjunction of proposed Acquisition, the Company has undertaken a renounceable rights issue of 126,677,437 Rights Shares at issued price of RM2.80 per Rights Share, on the basis of two (2) rights shares for every seven (7) existing SOPB shares held on entitlement date at 15 November 2016. At the closing date of acceptance and payment for the Rights Issue on 30 November 2016, the Company received valid acceptances and excess applications for 148,966,795 Rights Shares, representing an over-subscription of approximately 17.60%.

Gross proceeds raised from the issuance of 126,677,437 Rights Shares were RM354.7 million. After deduction of related expenses of RM3.29 million pertaining to the proposed Acquisition and Rights issue, the net proceeds utilized for the Acquisition was RM351.4 million.

Net proceeds from Rights issue of RM351.4 million together with bank borrowings of RM495.7 million and internal funds of RM25.9 million were utilized to fulfil the total cash consideration of the proposed Acquisition of RM873 million. The proposed Acquisition was completed on 22 December 2016 upon fulfilment of all the conditions precedent in the Share Sale Agreement.

On the operation front, El-Nino weather phenomena experienced in second half of 2015 and in early 2016 which was characterized by prolonged drought and below average rainfall had adversely affected the growing conditions and crop production of oil palms. The Group experienced a decrease in fresh fruit bunches ("FFB") production by about 11% in year 2016 compared to year 2015.

Oil palms products prices in year 2016 were volatile. CPO prices were at RM2,400 per mt level in the first quarter, and rallied to about RM3,200 per mt towards year end of 2016. This was primarily due to decrease in FFB production and weak Ringgit versus US Dollar. El-Nino caused significant drop in FFB production but on the other hand helped increase in oil palm products prices which thus cushioned negative impacts from drop in FFB production.

2. Financial Results

The Group's total revenue was RM4,416.1 million for year 2016 as compared to RM3,670.8 million in year 2015, representing an increase of 20.3%. The increase in revenue was attributed to higher prices realized although sales volume was lower by 3%.

(i) Group Income Statement:

| | Year 2016 RM'million | Year 2015 RM'000 |
|---------------------|-------------------------|---------------------|
| Revenue | 4,416.1 | 3,670.8 |
| Profit before tax | 195.9 | 123.8 |
| Profit after tax | 142.3 | 91.9 |
| Earnings per share: | | |
| Basic | 28.05 sen | 20.11 sen |
| Diluted | 28.02 sen | 20.02 sen |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

The Group's profit before tax for the year 2016 was RM195.9 million compared to RM123.8 million for year 2015, an increase of 58.2%. The Group's profit after tax for the year 2016 was RM142.3 million compared to RM91.9 million for year 2015, an increase of 54.8%. The increases in profits were mainly attributed to more favourable average palm products prices realized despite lower FFB production and lower sales volume.

Average prices realized for year 2016 and 2015 were as follows:-

| | 2016 RM / mt | 2015 RM / mt |
|-----------------------|-------------------------|-------------------------|
| Refined palm products | 2,693 | 2,126 |
| Crude Palm Oil | 2,665 | 2,207 |
| Palm Kernel Oil | 4,986 | 3,322 |
| Palm Kernel Cake | 387 | 331 |

(ii) Group Cash Flow Statement

| | 2016 RM' million | 2015 RM' million |
|---|-----------------------------|-----------------------------|
| Cash flows for operating activities | | |
| (i) cash generated before working capital | 342.94 | 254.05 |
| (ii) working capital changes | (13.25) | (260.08) |
| (iii) taxes paid | (46.52) | (56.35) |
| (iv) interest paid | (27.68) | (28.41) |
| | 255.49 | (90.79) |
| Cash flows for financing activities | | |
| (i) Net proceeds from trade facilities | 145.25 | 196.12 |
| (ii) Repayment of loans & borrowings | (171.32) | (176.59) |
| (iii) Proceeds from loan & borrowings | 86.13 | 138.79 |
| (iv) Proceeds from rights issue | 354.70 | |
| (v) Proceeds from ESOS | 3.17 | 2.61 |
| (vi) Government grant received | 1.88 | 12.57 |
| (vii) Dividend paid | (30.70) | (27.55) |
| (viii) Interest paid | (11.32) | (11.18) |
| | 377.79 | 134.77 |
| Cash flows for investing activities | | |
| (i) Property , plant and equipments (PPE) | (55.71) | (99.04) |
| (ii) Plantation development expenses | (22.88) | (9.85) |
| (iii) Increase in land held for development | (13.13) | - |
| (iv) Disposal of PPE | 1.90 | 2.18 |
| (v) Interest received | 8.96 | 10.50 |
| (vi) Dividend received from associate | 2.37 | - |
| (vii) Share reduction/(subscription) in associate | 8.97 | (1.35) |
| (viii) Acquisition of subsidiary | (266.14) | - |
| (ix) Additions to land use rights | (0.20) | (0.37) |
| | (335.86) | (97.93) |
| Net increase /(decrease) in cash and cash equivalent | 297.42 | (53.95) |
| Cash and cash equivalent at beginning of financial year | 437.23 | 487.93 |
| Effect of exchange rate changes on cash & cash equivalent | 1.47 | 3.25 |
| Cash and cash equivalent at end of financial year | 736.12 | 437.23 |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

During the year, there was a net cash inflow generated from operating activities of RM255.5 million mainly due to increase in profit, and lesser increase in inventories, trade and other receivables compared to preceding year.

One major financing activity during the year was Rights shares issuance that raised a gross proceeds of RM354.7million to part finance the aforesaid Acquisition.

Major investing activities undertaken were investment in 100% equity shares in SYOP for RM266.1million, and capital expenditure of RM55.7 million for Property, Plant and Equipment (income generating facilities) and Plantation Development Expenditure of RM22.9 million (mainly re-planting of old palms areas , and upkeep and maintenance of immature areas).

There was a net increase in cash and cash equivalent during the year of RM297.4 million, and cash and cash equivalent balance as at year end 2016 was RM736.1 million.

(iii) Group Statement of Financial Position:

| | At 31 December 2016 RM'000 | At 31 December 2015 RM'000 |
|---|-------------------------------|-------------------------------|
| ASSETS | | |
| Non-current Assets | | |
| Property, plant and equipment | 1,583,195 | 1,170,276 |
| Plantation development expenditure | 1,039,700 | 556,008 |
| Land held for property development | 19,895 | 6,764 |
| Land use rights | 5,009 | 4,902 |
| Investment in associate | 1,894 | 10,081 |
| Intangible assets | 168,123 | 5,182 |
| Deferred tax assets | 67,226 | 64,307 |
| | 2,885,042 | 1,817,520 |
| Current Assets | | |
| Inventories | 315,711 | 289,011 |
| Property development costs | 29,849 | 49,412 |
| Trade and other receivables | 359,305 | 422,717 |
| Derivatives financial assets | 6,719 | 11,017 |
| Cash and bank balances | 736,111 | 440,736 |
| | 1,447,695 | 1,212,893 |
| TOTAL ASSETS | 4,332,737 | 3,030,413 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Company | | |
| Share capital | 570,111 | 441,307 |
| Share premium | 246,844 | 16,724 |
| Employee share option reserve | 7,695 | 6,191 |
| Other reserves | 1,954 | 1,613 |
| Retained earnings | 1,048,075 | 937,949 |
| | 1,874,679 | 1,403,784 |
| Non-controlling interests | 97,967 | 96,084 |
| Total equity | 1,972,646 | 1,499,868 |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

| | At 31 December 2016 RM'000 | At 31 December 2015 RM'000 |
|-------------------------------------|-------------------------------|-------------------------------|
| Non-current liabilities | | |
| Deferred tax liabilities | 328,716 | 124,775 |
| Loans and borrowings | 277,754 | 402,454 |
| Government grant | 13,658 | 12,174 |
| Derivative financial liabilities | 48 | 90 |
| Land premium payables | 20,778 | |
| | 640,954 | 539,493 |
| Current liabilities | | |
| Loans and borrowings | 910,578 | 699,395 |
| Trade and other payables | 777,550 | 277,287 |
| Derivative financial liabilities | 24,044 | 14,370 |
| Land premium payable | 6,965 | |
| | 1,719,137 | 991,052 |
| Total liabilities | 2,360,091 | 1,530,545 |
| TOTAL EQUITY AND LIABILITIES | 4,332,737 | 3,030,413 |

There were significant increases in the Group's non-current assets for (i) Property, plant and equipment, and (ii) Plantation Development Expenditure. These were mainly due to aforesaid Acquisition whereby approximately 47,000 hectares of agriculture land of which 23,798 hectares were fully planted with oil palms, and a 60 TPH palm oil mill were consolidated into the Group's assets. The combined fair values / market values of these assets as assessed by professional land valuers as at July 2016 were RM906.13 million.

Intangible assets increased to RM168.1 million (2015: RM5.2 million). This was due to fair value of the above Acquisition, its goodwill with related deferred tax liabilities provision.

Issue and paid up share capital of the Company increased to 570.1 million shares (2015 : 441.3 million shares) due to the issuance of Rights Shares during the year.

Land premium payable of totalling RM27.74 million was related to the lands in the above Acquisition whereby its payment to Land Authority is by instalments over the next few years.

Trade and other payables increased to RM784.5 million (2015: RM277.2 million) were mainly attributed to balance of purchase consideration amounting to RM488.6 million of the above Acquisition was not due for settlement as per terms and conditions of the Share Sales Agreement. Nevertheless the total purchase consideration of RM873 million was fully settled in March 2017.

(iv) Dividend

The Group has continued its dividend policy by retaining large part of its available fund to cater for future capital expenditure whenever viable opportunities arise. In current uncertain and weak global economic climate, maintenance of sufficient cash flow liquidity would certainly render the Group more resilient in facing stiff business challenges.

In connection therewith, the Board of Directors has proposed first and final tax exempt dividend of 5% per ordinary share amounting to RM28,505,568 for the Financial Year ended 31st December 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

3. Review of Operation:

(I) Plantation Segment

(a) Planted Areas Statistics

With the completion of the acquisition of about 47,000 hectares of agriculture land bank of which about 23,798 hectares have been planted with oil palms, total planted areas of the Group has increased to 87,744 hectares as compared to 63,517 hectares in year 2015. The planted areas and age profile of the palms are tabulated as below:-

Planted Areas and Age Profile Before Acquisition Of New Plantation Estates

| Palm Age (Yrs) | As at 31/12/2016 | | As at 31 Dec 2015 |
|------------------------|------------------|--------|-------------------|
| | Area (ha) | % | Area (Ha) |
| Immature (Below 4 yrs) | 3,913 | 6.12% | 2,468 |
| Young (4 -10 yrs) | 32,694 | 51.13% | 34,313 |
| Prime (11 - 20 yrs) | 23,294 | 36.43% | 21,263 |
| Old (21 yrs & above) | 4,045 | 6.33% | 5,473 |
| Total: | 63,946 | 100% | 63,517 |

Planted Areas and Age Profile After Acquisition Of New Plantation Estates

| | Area (ha), As at 31 December 2016 | % |
|------------------------|--------------------------------------|---------|
| Immature (Below 4 yrs) | 10,629 | 12.11% |
| Young (4 -10 yrs) | 45,082 | 51.38% |
| Prime (11 - 20 yrs) | 27,988 | 31.90% |
| Old (21 yrs & above) | 4,045 | 4.61% |
| Total: | 87,744 | 100.00% |

(b) FFB Production and Extraction Rates

| | | 2016 | 2015 |
|--|---------|-----------|-----------|
| Group FFB production | mt | 1,010,836 | 1,133,961 |
| Total FFB processed | mt | 1,578,531 | 1,788,522 |
| Group CPO Production | mt | 315,221 | 355,468 |
| Group Palm Kernel Production | mt | 66,288 | 76,406 |
| Group FFB average yield | mt / ha | 16.79 | 18.55 |
| Group average oil extraction rate (OER) | % | 19.97% | 19.88% |
| Group average kernel extraction rate (KER) | % | 4.20% | 4.27% |

The decrease of FFB production by about 11% was mainly attributed to the El – Nino weather phenomena which generally affected the whole oil palms industry. The Group FFB average yield per hectare decreased to 16.79 mt in year 2016 compared to 18.55 mt for year 2015. CPO production in year 2016 correspondingly decreased whilst oil extraction rate was 19.97%, comparable to 19.88% in year 2015. Oil per hectare has thus decreased to 3.35 mt per hectare as compared to 3.69 mt per hectare in year 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

(II) Downstream Segment

The Group's refinery and kernel crushing plant were operating satisfactorily. Profit after tax recorded for the year was RM20.94 million (2015: RM3.15 million). The improved results were mainly attributed to higher selling prices realized and weaker Ringgit versus US Dollar even though the total sales volume decreased by 3% compared to preceding year. The average refined palm products price realized during the year was RM2,693 per mt (2015: RM2,126 per mt).

During the year, sales volume of biodiesel (palm methyl ester) produced by the Group's biodiesel plant increased by 50% mainly due to the shift from B5 to B7 mandate by the government.

The Group's Phytonutrient Plant with installed capacity of 15 tonnes per day located at Bintulu, construction of which began in year 2014 has been completed during the year. It is now in trial - run stage and is expected to be commissioned by second half of this year.

(III) Property Development Segment

Weak sentiments towards property market prevailed during the year, in tandem with weak global economic climate. Tighter end - financing policies exercised by banks / financial institutions also dampened demand for property markets. The Group is prudent and cautious when launching new phases of property development.

During the year, 80% of affordable and medium - cost residential houses that were launched over the past 2 years had their construction completed and to-date take-up rate was reasonable. To enhance the intrinsic value of the residential houses, some units of commercial houses were launched during the year in the vicinity of the residential houses. The construction was still in - progress (approximately 20%) and to-date the take-up rate was reasonable.

The Group's property segment recorded a profit after tax of RM1.92 million for year 2016. Under the current weak demand for real property in the midst of weak global economic climate, contribution from this segment to the Group would not be significant at this stage.

4. Outlook and Prospects:

Commodity prices are expected to be volatile in year 2017. CPO prices started off this year at above RM3,200 per mt level. However, with the expected increase of FFB production over the new few months, the CPO prices softened but remained at RM2,600 per mt level as at April 2017.

The Group has planted areas of 87,744 hectares, an increase of 37% compared to preceding year end, which will boost FFB production in coming years. Average yield per hectare is expected to increase accordingly as more palms will attain their prime age. As for OER, the Group will continue to focus on improving the OER as there are rooms for improvement. Moving forward, the Group will continue to tighten costs control, improve productivity and efficiency so as to optimize the potential of its assets and human resources.

With tight control over costs, improve productivity and efficiency, coupled with expected increase in FFB production, performance of the Group is expected to be satisfactorily.

STATUS OF UTILIZATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL:

Renounceable Rights Issue of 126,677,437 Rights Shares at RM2.80 per share

On 4th July 2016, Sarawak Oil Palms Berhad (“the Company”) entered into a conditional share sale agreement (“SSA”) with Shin Yang Holding Sdn Bhd (“SYHSB”) to acquire the entire equity interest in the issued and paid-up share capital of Shin Yang Oil Palm (Sarawak) Sdn Bhd (“SYOP”) from SYHSB and assume the inter-company balances owing by SYOP to Shin Yang Forestry Sdn Bhd, another subsidiary of SYHSB, all for a total cash consideration of RM873 million (“Acquisition”). The main assets of SYOP comprise of a palm oil mill with processing capacity of 60 TPH and land bank measuring approximately 47,000 hectares in Sarawak, of which approximately 23,798 hectares have been fully planted with oil palms and approximately 6,772 hectares are suitable for oil palm cultivation.

In conjunction with the proposed Acquisition, the Company has undertaken a renounceable rights issue of 126,677,437 rights shares, on the basis of two (2) rights shares for every seven (7) existing SOPB shares held on the entitlement date at 15 November 2016.

As at 30th November 2016, being the date of the closing of acceptance and payment for the Rights Issue, the company had received valid acceptances and excess applications totalling 148,966,795 Rights Shares, representing an over-subscription of 22,289,358 Rights Shares or approximately 17.60% over the total number of Rights Shares available for subscription.

The 126,677,437 Rights Shares accepted were listed and quoted on the Main Market of Bursa Securities on 15 December 2016. The Acquisition has been completed on 22 December 2016 upon fulfilment of all conditions precedent in the SSA and completion of the transfer of SYOP shares to the Company on even date.

Gross proceeds raised from the issuance of 126,677,437 Rights Shares was RM354,696,824. As at 24th February 2017, the Rights Issue proceeds has been fully utilized in accordance to its intended purposes, i.e. RM351.4 million for payment of the purchase consideration of the Acquisition and RM3.29 million for Acquisition related expenses.

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016

SUSTAINABILITY GOVERNANCE

Sustainability is an integral part of the Group's business and operations. Over the years concerted efforts are made to ensure a balanced approach towards People, Planet and Profit in our business strategies and operations at all levels of the Group.

In 2013, the Group's Board of Directors has established Group Sustainability Committee headed by the Group Chief Executive Officer. The Committee is entrusted to formulate the Group's sustainability strategies, directions and targets. The Sustainability Department, established in the same year, is responsible to ensure that strategies, policies, commitments and the day to day sustainability initiatives set by the Committee are observed and complied with at all levels of the Group.

The Sustainability Department has carried out scheduled internal sustainability audits, and reported their findings, recommendations and proposed solutions to the respective Head of Business Units. Pertinent sustainability issues and remedial actions were also reported to the Board. Through such sustainability audits, the Group's employees and stakeholders has achieved good understanding of sustainability pertaining to environmental impacts, workplace safety and legal compliance issues, and put them into practices.

SUSTAINABILITY POLICIES

The Group has established two key policies in 2014, (i) Environmental Sustainability Policy and (ii) Social & Community Policy. These policies reflect the Group's sustainability commitments and practices in taking care of the environment and social responsibilities to our internal and external stakeholders.

- the Environmental Sustainability Policy comprises of several performance indices which include implementation and maintenance of an environmental management system conforming to MSPO principles & standards, Group's Standard Operating Procedures and Best Practices, zero-burning practices in all plantation and development activities and waste disposal procedures.
- the Social & Community Policy outlines our commitments in upholding human rights of all its employees and communities that are related to our operations, and to treat them with dignity. The policy comprises several commitments which, amongst others, No Child Labour, Equality of Opportunity, Health & Safety, and Community Involvement.

SUSTAINABILITY FOCUSES

The Group's commitments to sustainability are continual and aligned to its business strategies, values and directions. Its main focuses are on the following aspects:-

(a) Environment – Plantation

The Group carries out its plantation operations by adopting good agricultural practices and back by sound environmental concepts in the Group's Agriculture Manual and Sustainability Manual.

(i) Zero Burning Policy

In our Environmental Sustainability Policy, we affirmed our commitment to practice zero-burning in all plantation development activities and waste disposal activities.

When it comes to replanting which involves land clearing, old palm trees are felled, chipped and left to decompose. This is an effort to mitigate Green House Gaseous ("GHG") emissions and smoke pollution. Besides that, natural decomposition of plants helps to return organic matter to the soil.

During the year, about 1,430 hectares of old palms were re-planted strictly on Zero – Burning Policy basis.

(ii) Integrated Pest Management (IPM)

In our practices of integrated pest management in plantation operation, beneficial plants, namely, *Turnera* spp. and *Cassia* *Cobanensis* are planted in the field so as to attract natural predators for the control of pests such as bagworms and other leaf-eating caterpillars.

Pheromone traps are used to capture rhinoceros beetles thereby reducing the use of pesticides.

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)



▲ *Turnera spp*, plant is grown at out plantation as part of our IPM



▲ Replanting area with cover crop

(iii) Waste Management

It is vital to ensure that waste produced in all of our operations have minimal pollution impact. We ensure that all types of waste including domestic waste, agricultural waste, biomass or by-products are either recycled or safely disposed of in accordance with approved procedures. Operation-wise, we recycled mills' by-products such as Empty Fruit Bunches (EFB), Decanter Cake, Bunch Ash, etc and apply them in the field as organic fertilizers.

Water is essence of life on this earth and we are aware of the potential impact of our operations on the natural waterways. To avoid any contamination of rivers or its tributaries that flow through our estates or in the vicinity of our mills, waste or mill effluents are prohibited from discharge into the waterways directly. For the mills, we ensure that after treatment the quality of final discharged water complied with the requirements of the related laws and regulations.

Certified consultants are appointed to monitor water quality periodically where water samples are taken from waterways in the vicinity of the palm oil mills and estates for laboratory testing to determine its quality. For the year under review, there was no incidence of contaminants in the waterway that exceeded allowable threshold.

Apart from that, we have taken all necessary precautions in handling scheduled waste to avoid causing environmental pollution.

(iv) Peat Land

The Group has adopted no new planting on peat areas. Existing peatlands that exist within its plantation are managed in accordance to industry best practices.

(v) Reducing Carbon Footprint

Conservation of energy and carbon footprint reduction are correlated to each other. Therefore, optimal use of non-renewable energy or inorganic fertilizers can help reduce GHG emission. We have taken and are continually taking measures to reduce Carbon Footprint as follows:

- (1) Since year 2010, Zero Burning Practice was enforced and implemented on any new planting or replanting works. For replanting, old oil palm trunks were felled, chipped in slices, shredded and left as natural mulch for decomposition.
- (2) The Group practices optimal usage of inorganic fertilizers, the dosage of which is based on diagnosis and research carried out by in-house research team whose members consists of agronomists and chemists.
- (3) Advocates organic fertilizers application on the ground (plantation). Palm oil mill by-products, namely, empty fruit bunches (EFB), bunch ash, decanter cake and palm oil mill effluent (POME) are used as organic fertilizers in plantation.
- (4) Environmental awareness training or briefings to all stakeholders / employees aimed at conserving natural resources and reduces GHG emissions.

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)

(vi) Water Conservation and Management

One of the efforts of the Group is to optimise use of water by rainwater harvesting. In the fields, terraces are constructed to retain moisture for optimal palms growth and prevent soil erosion. The field terraces in sloping areas help not only to decrease surface water run-off but also allow water to seep through the soil more effectively.

To complement all these efforts to protect our waterways, we identified potential sites for runoffs from our plantation as buffer zones. We have strict emphasis on protecting and maintaining our buffer zones, whereby our workers are given strict instructions not to do any spraying or manuring operations in the strictly prohibited areas of the buffer zones.



A pitcher plant found in our Tinbarap Conservation Area

(b) Environment - Mills

(i) Use of Biomass

Electricity for the milling operations are produced from the incineration of the oil palm waste, such as mesocarp fibre and empty fresh bunches. These are good combustible materials and are used as boiler fuels to generate superheated steam to drive turbines for electrical power generation for use in palm oil mills, which helps to reduce usage of non-renewable energy.

(ii) Particulate Emission

Particulate matters are combinations of solid and liquid particles suspended in the atmosphere when burning activities are initiated. In milling operations, there is a constant need of stack emission monitoring as per the Department of Environment (DOE) requirements especially for Boiler and Incinerator. The boiler stations produce steam for heating purposes throughout the mill and this process releases particles to the air. Henceforth, we engaged consultants to carry out regular stack monitoring for all the mills to ensure particulate emission does not exceed the standard limit imposed by DOE.

(iii) Biogas Plants

The biggest source of GHG emission in our operation comes from palm oil mill effluent, the breakdown of wastewater from the mills that releases methane gas to the atmosphere that causes global warming.

The Group has set timeline targets for all of its palm oil mills to have biogas plants installed within the next 5 years to help to trap methane gas and prevent it from being released into the atmosphere. Trapped methane gas could be used to generate power for electricity supply.

(iv) Proper disposal of wastes

We practiced responsible and proper handling of wastes. Industrial hazardous wastes are disposed by sending to vendors who are approved by relevant Authorities. Domestic wastes are properly disposed in the approved landfill sites which are situated at least 100m away from nearest waterways and at least 500m away from any residential areas.

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)

SUSTAINABILITY CERTIFICATION

The Group has embarked on the following sustainability certification:-

(i) International Sustainability and Carbon Certification ("ISCC")

ISCC is an international certification system that is used to evaluate sustainability and GHG savings for biomass and bio-energy. It is recognized by the European Commission for all its member countries.

To-date, five palm oil mills, one Refinery and 70% of the Group planted areas have been certified under ISCC.

(ii) Malaysian Sustainable Palms Oil Certification ("MSPO")

MSPO is Malaysia's national sustainability certification scheme which aims to promote sustainable management in palm oil industry.

To-date, four palm oil mills, one Refinery and 54% of the Group's planted areas have been certified under MSPO.

The Group plans to have all of its palm oil mills and their supplying estates, the balance of the Group's estates and downstream plants, namely, kernel crushing plants and biodiesel plant to be certified under MSPO by year end of 2017.

Newly acquired oil palm estates of about 23,798 hectares and one 60 TPH mill under SOP Plantations (Murum) Sdn Bhd , formerly known as Shin Yang Oil Palm(Sarawak) Sdn Bhd , are set to be certified by 2018.



Signing of Group Pledge to certify all company premises under MSPO, witnessed by government representatives.



GPOM, LPOM and their supplying estates the batch certified under MSPO

CONSERVATION AND BIODIVERSITY

The Group is committed to conserve jungle reserves and wildlife sanctuaries as an integral effort to preserve environment.

The group is the process of identifying areas to be set aside for conservation reserves and the outcome is expected to be ready by end of 2017

To develop effective conservation and biodiversity strategies, the Group has embarked on joint research with the theme " Peat Land Ecological Research & Biodiversity Conservation " with researchers from government bodies, local and foreign universities in the Group's plantation estates.

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)

The research topics that are in-progress are:-

| | Research Topic | Jointly carried out by:- |
|---|---|--|
| 1 | Balancing Development Of Oil Palm Plantations With Conservation Of Tropical Forest Ecosystems | Malaysia Palm Oil Board ("MPOB"), Nagoya University of Japan , and Sarawak Oil Palms Berhad ("SOPB") |
| 2 | Green House Gas (GHG) and Carbon Pool Study | MPOB and SOPB |
| 3 | Ecosystem Carbon and Nitrogen Dynamics of Tropical Peatland | MPOB, University of Aberdeen of United Kingdom, St Andrew University of United Kingdom, and SOPB |
| 4 | Tinbarap Conservation Plot | MPOB, Universiti Malaysia Sarawak, and SOPB |



Researcher disentangling a Reddish Scops -owl from a net



Long-tailed Parakeet, Psittacula longicauda observed in TCA.



Asian Black Hornbill, Anthracoceros malayanus



Thick-billed Green Pigeon, Treron curvirostra

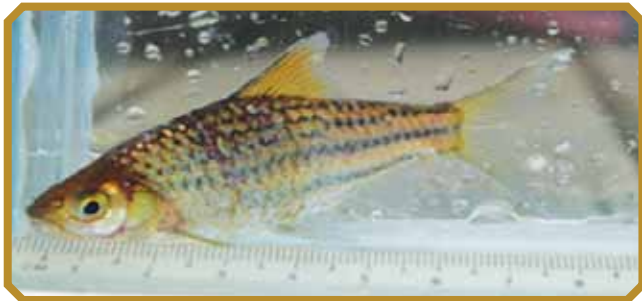
SUSTAINABILITY REPORT
FOR SOP GROUP ("GROUP") 2016 (CONT'D)



Measuring the DBH (diameter at breast height) of a tree species in Tinbarap Conservation Area ("TCA")



Tagging for census of trees



Desmopuntius johorensis – a fish species found in TCA



Short-nosed Fruit Bat



Camera trap placed in TCA to capture animal movement.

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)

STAKEHOLDERS ENGAGEMENT

The Group continues its frequent engagement with stakeholders through discussion and dialogue sessions to obtain their feedback for the Group to further strengthen its sustainability agendas.

Stakeholder groups and engagement conducted in 2015-2016

| Stakeholder Group | Details of Engagement with Stakeholders | Outcomes |
|------------------------|--|---|
| Employees | <ul style="list-style-type: none"> ✓ Sport and social activities ✓ Annual training programmes ✓ Establishing various employee committees | <ul style="list-style-type: none"> ✓ First-aid, environment, social and safety aspects training ✓ Employees are encouraged to share their needs and expectations |
| Local Communities | <ul style="list-style-type: none"> ✓ Meetings with various stakeholders ✓ Organise Seminar on MSPO certification for Stakeholders in Miri (29/10/2016) with different stakeholders | <ul style="list-style-type: none"> ✓ Organised MSPO Seminars for CPO Suppliers and Smallholders in Miri, Batu Niah, Beluru, Bekenu and Baram regions. ✓ Developed joint participatory mapping with surrounding Community for Tinbarap and Sabaju / Kemena region by AKSENTA, an RSPO approved consultant ✓ Engaging and organising community projects that involve local communities such as gotong-royong at villages, health talks and medical checks for village folks. ✓ Collaboration with smallholders' development programmes. |
| Government Authorities | <ul style="list-style-type: none"> ✓ Engage with Human Resources Ministry for Job Placement Project ✓ Meeting with Malaysia Palm Oil Board (MPOB), on MSPO Drafts and Implementation ✓ Meeting with MPOCC, Kuala Lumpur on State-wide and Nation-wide adoption of MSPO Meeting with Standards Malaysia, Kuala Lumpur on the accreditation of MSPO certification Bodies. | <ul style="list-style-type: none"> ✓ Recruitment of new employees. ✓ 8th Technical Working Committee (TWC) on Malaysia Sustainable Palm Oil (MSPO) Certification ✓ 9th Technical Working Committee (TWC) on Malaysia MSPO Certification ✓ (7th National Committee Meeting) |
| Media | Involve media in our local projects, invite them to our meetings | Articles published about our projects |
| RSPO, MSPO, ISCC | <ul style="list-style-type: none"> ✓ Representatives attend Annual Roundtable meeting of RSPO ✓ ISCC Technical Committee South East Asia (ISCC TC SEA) Bangkok (23-03-2015) ✓ ISCC Technical Committee South East Asia (ISCC TC SEA) Jakarta (12-08-2015) ✓ MSPO Pilot Supply Chain Management System Audit, Palm Oil Refinery (12-13/052016) | <ul style="list-style-type: none"> ✓ Engaged with RSPO ✓ Discuss current Labour Issues and risk management tools for tracing palm deliveries and detection of land use change – Trace-Your-Claim and GRAS Global Risk Assessment Services ✓ GHG Calculation and REDD ✓ Palm Oil Supply Chain Traceability Requirements |
| Certification Bodies | One-on-one meetings during audits and discussed gaps and solutions | Audit and certification |

SUSTAINABILITY REPORT

FOR SOP GROUP ("GROUP") 2016 (CONT'D)

| Stakeholder Group | Details of Engagement with Stakeholders | Outcomes |
|--------------------------|--|---|
| RSPO Consultants | RSPO Approved consultant, AKSENTA , Involve different NGOs in meetings and joint exercises | Conduct HCV assessment for selected estates in Miri and Bintulu division. Conduct land use change analysis and related matters |
| Schools and Universities | <ul style="list-style-type: none"> ✓ Provide Young Achievers Awards and Student Adoption programmes ✓ Talks held in schools and universities | <ul style="list-style-type: none"> ✓ Rewards Top Students for surrounding communities ✓ Opportunities for underprivileged children to pursue education ✓ Awareness about oil palm development and the palm oil industry ✓ Create awareness about working life and career expectations |
| Consumers | Meet consumers for discussions regarding products safety and quality assurance issues | Participants actively involved with regards to production of palm oil. |
| Investors | One-on-one meetings for investor public relationship | Better understanding of the Group 's businesses and its performances |

MARKET PLACE

(a) Food Safety and Quality

The Group recognizes the expectation from its customers and consumers on food safety, product quality and traceability of the supply chain. The Group embarked on certification by various accreditation agencies on food safety and product quality. The status of accreditation is summarized as follows:-

| Manufacturing Facilities | | Certifications | Status at 31 Dec 2016 |
|---|---|------------------|-----------------------|
| Refining, Fractionation , Kernel Crushing Plant | 1 | GMP & GMP+ B2 | Completed |
| | 2 | HACCP | Completed |
| | 3 | ISO 9001 & 22000 | Completed |
| | 4 | HALAL | Completed |
| | 5 | MeSTI | Completed |
| | 6 | KOSHER | Completed |
| Biodiesel Plant | 1 | KOSHER | Completed |
| | 2 | ISO 9001 & 22000 | In Progress |
| | 3 | HACCP | In Progress |
| | 4 | GMP | In Progress |
| Cooking Oil Packaging Plant | 1 | HALAL | Completed |
| | 2 | MeSTI | Completed |
| 4 Palm Oil Mills | 1 | GMP | Completed |
| | 2 | HACCP | Completed |
| | 3 | ISO 9001 & 22000 | Completed |

Abbreviation:

GMP: Good Manufacturing Practice

HACCP: Hazard Analysis and Critical Control Point

MeSTI: Pensijilan MAKANAN SELAMAT TANGGUNGJAWAB INDUSTRI

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)

(b) Traceability of Supply Chain

Traceability is the ability to track any oil palms product, either one step forward or one step backward, through all stages of production, processing and distribution / supply chain.

The Group is committed to trace the sources of its palm products to the originating sources.

Although palm products supplied from third party suppliers could be very onerous to trace due to the inherent complexities along the supply chain which include small growers and smallholders, the Group has taken steps to understand the practices of its third party suppliers and will continue to engage them to enhance its traceability mechanism.

In September 2016, the Group jointly organised a Seminar cum Dialogue with MPOB and MPOCC for all the CPO/PK/FFB suppliers including smallholders for Miri, Bintulu and Sibul region. This is an ongoing effort by the Group to share its sustainability progress and traceability of its palm products sources and encourage our suppliers, including smallholders to adopt sustainable cultivation practices.

SOCIAL (COMMUNITY AND EMPLOYEES)

The Group's corporate social responsibility focuses on continuous care and commitment towards its employees, and local communities in the vicinities of its operational areas. Due to the nature of business where majority of plantation operation are located in rural areas, considerable effort has been put into poverty alleviation and uplifting educational standards of local communities' younger generation.

(a) Local Communities

The Group continues to be an active contributor to local community development through organizing various economic support and social contribution programmes to contribute to the needs and well-being of the local communities in the areas of education, healthcare, disaster relief and others.

(i) Excellent Education Award Program Young Achievers Award ("YAA")

The YAA is awarded annually to deserving primary and secondary school students from rural schools nearby the vicinity of the Group's plantation estates who have achieved outstanding academic performance.

For the past 3 years, a total of RM77,000 were awarded to 420 deserving outstanding children. Such award, seemingly small in monetary value, is an important motivational factor for young children to aim higher in their subsequent pursuit of academic excellence.



Young Achievers Award (YAA)



Student Adoption Programme (SAP)

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)

(ii) Student Adoption Programme ("SAP")

The SAP was set up to help meet the educational needs of underprivileged children within the vicinity of our Group operations in the form of financial assistance in cash and in-kind.

For the past 3 years, financial assistance of RM145,000 were given to 330 underprivileged children

(iii) Community Health & Services Vision Care Program

Our Vision Care Program reaches out to the nearby longhouses surrounding the vicinity of the Group's plantation estates in collaboration with various government bodies. The communities receive free eye check-ups. Spectacles and surgeries fully funded by SOPB are offered to those in need.

For the past 2 years, there were 321 recipients of spectacles and eye surgeries with value of RM25,000.

(iv) SOPB - Get Equip'd Rehabilitation Programme

The Group through its partnership with Get Equip'd, an Australian - based non-profit organization has launched SOPB - Get Equip'd Rehabilitation Programme to provide assistance for children with special needs. Its aims are to enrich the lives of children with special needs and to lessen the burden of their parents on custom-fit wheelchairs whilst at the same time encourages professional development in collaboration with the experts from Get Equip'd in the area of paediatrics disability in Sarawak.

30 units of specially designed wheelchairs were imported under the SOPB - Get Equip'd Rehabilitation Programme for donation to Association of Children with Special Needs (PIBAKIS) Miri, and Occupational Therapy Ward, Miri General Hospital.

(v) Colour Rush Run Sponsorship

The Group has continued to support the local charitable body, Sarawak Children's Cancer Society (SCCS) on its annual charity run, namely, Colour Rush Run since 2014. The Group has conducted campaign for donation among its staff who responded positively and has successfully collected more than RM24,000 for SCCS. More than 350 staff of the Group joined the annual 5KM Jogathon for the awareness campaign on childhood cancer ever since the inception of this programme.

(vi) SOPB Blood Donation Drive

The Group holds its blood donation drive twice every year since 2013 to assist the Blood Transfusion Unit of Miri General Hospital to top up its blood bank during critical period. Apart from that the Group also collaboration with Malaysia Red Crescent (MRC) Miri Chapter for organ donor pledges. This good deed will hopefully bring hope to patients who are waiting for life-saving organ transplants. To-date SOPB Blood Donation Drive has successfully collected 231 pints of blood and pledge of organ donors from 31 employees.

(vii) Disaster Relief Fund

The Group's corporate social responsibility program includes establishment of a Disaster Relief Fund which rushes relief aids to the local communities nearby the Group's plantation estates which had suffered losses occasioned by nature disasters such as flood and fire.

(viii) Native Customary Rights (NCR) Collaboration

The Group, together with the participation of native customary rights ("NCR") landowners has embarked on NCR lands development into oil palm plantation that will elevate the living standard of NCR landowners. To-date, about 2,300 hectares of NCR land has been developed into oil palm plantation with the participation of 690 NCR landowners.

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)



Native Customary Rights (NCR) Collaboration



Vision Care Program



SOPB - Get Equip'd Rehabilitation Programme



Disaster Relief Fund



SOPB Blood Donation



Colour Rush 4.0

(b) Employees

Our employees have always been core valuable assets instrumental for the success and continued growth of the Group. The Group continues to focus on providing safe and healthy workplace, and their well-beings.

(i) Safety & Health

Safety & Health Department of the Group was established in 1999 to safeguard its employees' safety and health at workplace. Occupational Safety & Health Policy was promulgated. In order to effectively implement the cores values of the Occupational Safety & Health Policy, a Safety & Health Committee was set up at each business unit at 46 estates, 7 palm oil mills and 1 downstream Refinery complexes.

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)

Continual improvement in the implementation of the occupational safety & health practices' is implemented through collaboration with various certified third-party Occupational Safety and Health related agencies. The Group has also carried out mandatory updating of safety procedures and training of competent persons as required by the Department of Occupational Safety and Health (DOSH).

Safety & Health Milestones for year 2015 – 2016:

(1) Chemical Hazard Risk Assessment (CHRA)

CHRA for all the estates, mills and refinery has been successfully conducted / assessed. This assessment is to be repeated every 5 years and conducted by certified assessor / consultant.

(2) Personal Chemical Exposure Monitoring (PCEM)

Based on the recommendations of CHRA, all estates have undergone the PCEM. The PCEM will be done every 6 months starting from July 2016 until 2018. The monitoring is being conducted by appointed certified consultant.

(3) Audiometric Test

Audiometric test for mills and refinery has been conducted on a yearly basis and this too, has been conducted by appointed certified consultant.

(4) Medical Surveillance Program

Workers that are exposed to chemicals or works which are related to chemical handling are sent for medical surveillance yearly. This program is to monitor workers' health due to their job nature to ensure each worker remained healthy and fit.

(5) Estates' Clinics – Tinbarap 5 & Sabaju 3

Two clinics have been established, one at Tinbarap 5 and another at Sabaju 3 estate. Each clinic has its respective certified Medical Assistant. There is also a visiting medical doctor who will conduct monthly visit to each clinic. The two clinics are set up to address the need of medical attention of the workers at these estates as they are far away from any external clinics or hospitals.

(6) Safety & health training

Each operation unit has its yearly safety and health plan, and internal training on safety and health trainings are conducted based on its plan. Training is compulsory for each worker based on his job scopes to ensure he understands and practises safety at workplace.

(c) Employees' Excellent Educational Award

The Group gives Employees' Excellent Education Award to its employees' children who have excelled academically in both primary and secondary level in their public examinations as a recognition and motivation for them to pursue further excellence.



A parent receiving Employees' Excellent Education Award for her child

SUSTAINABILITY REPORT FOR SOP GROUP ("GROUP") 2016 (CONT'D)

(d) Sports Events, Games and Outings

Sports events, games, outing and others are organized to help foster relationships among peers and family members. These activities keep employees energized, closely knitted, and created a healthy working environment and a happy family life.



SOPB Annual Dinner



SOPB Chinese New Year - Deepavali Combined Celebration



SOPB Inter - Department Badminton Competition



SOPB Corporate Movie Night



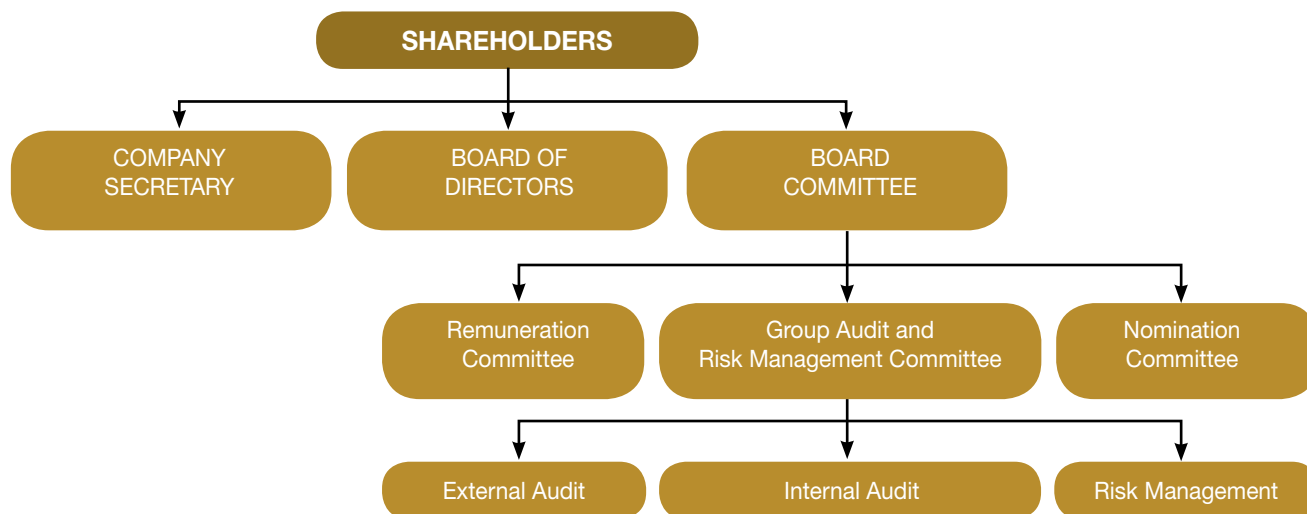
SOPB Gawai - Raya Combined Celebration



SOPB Beach Party

STATEMENT ON CORPORATE GOVERNANCE

The Board is pleased to present the following report on the measures implemented by the Company and the Group, as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Code on Corporate Governance 2012 (“the Code”), to apply the principles and best practices laid out in the Code. Save as specifically identified, the Company has substantially complied with the best practices in Corporate Governance as recommended in the Code.



BOARD OF DIRECTORS

The Group is led by an effective Board which sets the policies to enable them to lead and guide the Group to achieve its goals. The Board currently has ten (10) members comprising one (1) Executive Director and nine (9) Non-Executive Directors, three (3) of whom are independent. This meets Bursa Malaysia Securities Berhad Main Market Listing Requirements which requires at least two (2) Directors or one-third (1/3) of the Board to be Independent Directors.

Together, the Directors bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, law, business acumen, management and operations. The Board is aware of the gender diversity in the Code and has not set specific gender diversity targets. Female Director will be considered when suitable candidates are identified.

In accordance with the Listing Requirements, none of the Board members holds more than five (5) directorships in public listed companies to ensure they devote sufficient time to carry out their responsibilities.

The Board takes full responsibility for the overall performance of the Company and of the Group. The duties and responsibilities of the Board of Directors are clearly spelt out in the Board Charter. The Board Charter can be viewed on the Company’s website.

The Group’s Code of Business Conduct and Ethics for Directors and employees continue to govern the standards of ethics and good conduct expected of Directors and employees. The details of the Code of Business Conduct and Ethics is available on the Company’s website.

For the financial year ended 31 December 2016, the Board held five (5) meetings. Directors’ profiles and attendance to these meetings can be found in the profiles of Board of Directors on page 8 to 11 and page 159 of Statement Accompanying Notice.

At Board Meetings, strategies and performance of the Group are being reviewed and evaluated in the light of any changing circumstances whether economic, social or political. Although all the Directors have an equal responsibility for the Group operations, the role played by the independent Non-Executive Directors are vital to ensure that strategies formulated or transactions proposed by management are amply discussed in unbiased and independent manner, taking into account the interests not only of the Group but also the shareholders, employees, customers, suppliers, environment and community at large.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

| Directors | Number of Meeting Attended | Remarks |
|-------------------------------------|----------------------------|-------------------------|
| Tan Sri Datuk Ling Chiong Ho | 5/5 | |
| Ling Chiong Sing | 5/5 | |
| Ling Lu Kuang | 4/5 | |
| Tang Tiong Ing | 4/5 | |
| Hasbi Bin Suhaili | 5/5 | |
| Gerald Rentap Jabu | 3/5 | Resigned on 14/Feb/2017 |
| Dr Lai Yew Hock, Dominic | 4/5 | |
| Kamri Bin Ramlee | 5/5 | |
| Fong Yoo Kaw @ Fong Yee Kow, Victor | 5/5 | |
| Chua Chen San | 4/5 | Appointed on 1/Mar/2016 |
| Wong Ngie Yong | 1/5 | Resigned on 29/Feb/2016 |

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The principal functions and responsibilities of the Board shall include the following:

- a. Review, adopt and monitor the overall strategic business plan and direction of Group;
- b. Oversee the conduct of Group's business to evaluate whether the business is properly managed;
- c. Identify principal risks and ensure the implementation of appropriate systems to mitigate these risks;
- d. Exercise independent judgement in decision making;
- e. Review the adequacy and integrity of the management information and internal control systems; and
- f. Ensure full compliance and to carry out the duties of the Board in accordance with the relevant provisions of the Bursa Securities and all other applicable laws, regulations and guidelines.

BOARD COMMITTEE

Group Audit and Risk Management Committee (SC) (Established in 1992)

The composition and terms of reference of this Committee together with its report are presented on page 47 to 54 of the Annual Report.

Nomination Committee (NC) (Established in 2001)

The NC has been established since 2001. The Committee, among others, is responsible for recommending the right candidate with the necessary skills, knowledge, expertise and experience including his/her professionalism and integrity to fill in the Board. The Committee is also responsible to assess the effectiveness of the Board, its Committees and the performance of each individual Director annually. The members of the Nomination Committee are as follows:

| | |
|---|--|
| Fong Yoo Kaw @ Fong Yee Kow, Victor | - Chairman, Independent Non-Executive Director |
| Dr. Lai Yew Hock, Dominic | - Independent Non-Executive Director |
| Tang Tiong Ing | - Non-Independent Non-Executive Director |
| Chua Chen San (appointed 1/Mar/2016) | - Independent Non-Executive Director |

The Committee meets when necessary. For the financial year ended 31 December 2016, the Committee held one (1) meeting.

Remuneration Committee (RC) (Established in 2003)

The RC has been established since 1994. The Committee is responsible for recommending the remuneration framework for Directors, as well as the remuneration package of Executive Director to the Board for approval. The members of the Remuneration Committee are as follows:

| | |
|--|--|
| Fong Yoo Kaw @ Fong Yee Kow, Victor | - Chairman, Independent Non-Executive Director |
| Dr. Lai Yew Hock, Dominic | - Independent Non-Executive Director |
| Hasbi Bin Suhaili | - Non-Independent Non-Executive Director |

The Committee meets when necessary. For the financial year ended 31 December 2016, the Committee held one (1) meeting.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

DIRECTORS' REMUNERATION

The Group pays its Non-Executive Directors annual fees, which are approved annually by the shareholders. In addition, its Directors and members to the Board Committee are paid a meeting allowance for each meeting they attended. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Group.

The policy practised by the Group is to provide remuneration package necessary to attract, retain and motivate Directors. The structure of remuneration package of Executive Director is also linked to corporate and individual performance. Where applicable, the Board also takes into consideration information provided by independent consultants or survey data on comparable companies in determining the remuneration package. The Directors are entitled to take independent professional advice with the expense borne by the Company.

The aggregate and range of the Directors' remuneration for the Company for the financial year ended 31 December 2016 are as follows: -

| Aggregate of remuneration | Directors | |
|---------------------------|--------------------|------------------------|
| | Executive RM000 | Non-Executive RM000 |
| Fees | 45 | 405 |
| Salaries | 1,242 | - |
| Bonus | 466 | - |
| EPF and other emoluments | 165 | - |
| Total | 1,918 | 405 |

| Number Of Directors Range of remuneration | Executive | Non- Executive |
|--|---------------|----------------|
| | 0 to RM50,000 | |
| RM1,900,001 to RM1,950,000 | 1 | |

There are no contracts of service between any Directors and the Company other than the Group Executive Chairman, Tan Sri Datuk Ling Chiong Ho, whose term is concurrent with the tenure of his directorship.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Articles of Association provide that at least one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. These provide an opportunity for the shareholders to renew their mandates. The election of each Director is voted on separately. Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

The Board considers the appointment of new Director upon the recommendation from the Nomination Committee. In making these recommendations, the Nomination Committee has assessed the suitability of candidates by taking into account the required knowledge, professionalism, expertise and experience, integrity, competency and other qualities, which the candidates would bring to the Board. In accordance to the MCGG 2012, Directors are required to notify the Nomination Committee before accepting any new Directorship and to indicate the time expected to be spent on the new appointment.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

BOARDROOM DIVERSITY

The Board recognises the value of appointing individual Director who will bring a variety of diverse opinions, perspectives, professionalism and integrity, expertise and experiences, competency and wealth of knowledge while taking into consideration gender diversity.

All appointments to the Board are based on merit during the assessment on the suitability of the candidates by taking into account the role, board balance and composition, required mix of skills, background, experience and consideration of diversity. Other relevant matters that taken into account, include independent and ability to fulfil required time commitments.

SUPPLY OF INFORMATION TO BOARD MEMBERS

Board Meetings are structured with a pre-set agenda. Board papers for the Agenda are circulated to Directors well before the meeting date to give Directors time to deliberate on the issues to be raised at the meeting. Quarterly reports on the financial performance of the Group are also circulated to the Directors for their views and comments. All proceedings of Board Meetings are minuted and signed by the Chairman of the Meeting.

At other times, Directors have direct access to the Senior Management and the service of the Company Secretary. Directors especially newly appointed ones are encouraged to visit the Group's operating centres to familiarise themselves with the various operations of the Group.

FOSTER COMMITMENT

The Board has devoted sufficient time to carry out their responsibilities and enhance their professional skills, besides attending Board Meetings. The Board will set out the time commitment expected of its Directors. Apart from that, each Director is expected to devote sufficient time to attend all the AGMs, EGMs, and Directors' training besides attending quarterly Board Meeting.

DIRECTORS' TRAINING AND DEVELOPMENT

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP) prescribed by the Bursa Malaysia Training Sdn Bhd. The Directors also attend Continuing Education Programme ("CEP") organised by accredited organisations as and when necessary to keep abreast with the latest development that are relevant to the Group. During the financial year, the Directors have attended various training programmes, forums, conferences and seminars as follows:-

| Title of Training Programmes | Number of Day (s) |
|---|-------------------|
| Malaysia's Economic Outlook and Challenges in 2016 and Beyond | 1 day |
| Recent Amendments to the Listing Requirements by Bursa Malaysia & Corporate Sustainability Statements | 1 day |
| 2017 Budget and Tax Conference | 1 day |
| SSM National Conference 2016 | 2 days |
| Annual National Co-Sec Forum 2016 | 2 days |
| Company Secretary Training Programme Significant | 3 days |
| Continuing Professional Development Seminar | 1 day |
| 2nd Annual Affordable Housing | 2 day |
| Corporate Governance Symposium | 2 day |
| Private Equity – Disrupting Markets | 1 day |
| Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP) | 2 days |

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Group recognises the importance of communicating with its shareholders and does this through the Annual Report, Annual General Meeting (AGM) and analyst meetings. The policy of the Group is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete picture of the Group's performance and position as possible. The primary contact with major shareholders is through the Group Chief Executive Officer and Company Secretary, who have regular dialogue with institutional investors and deliver presentation to analysts periodically.

The key elements of the Group's dialogue with its shareholders is the opportunity to gather view of and answer questions from both private and institutional shareholders on all issues relevant to the Group at the AGM. The Chairman, members of the Board, as well as external auditors are present to address queries during the meeting. It has also been the Group's practice to send the Notice of the Annual General Meeting and related papers to shareholders at least fourteen (14) working days before the meeting. At the AGM, the shareholders are encouraged to ask questions about both the resolutions being proposed and the Group's operations in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with a written answer after the AGM. The Chairman of the Board and Group Chief Executive Officer also addresses to the shareholders on the a review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year.

The Group's website, www.sop.com.my is also used as a form to communicate with the shareholders and investors and to provide information on the Group's business activities.

The Group has appointed Mr. Fong Yoo Kaw @ Fong Yee Kow, Victor as the Independent Non-Executive Director to whom investors and shareholders may refer to express their concerns.

At all times, investors and shareholders may contact the Company Secretary for information on the Group.

FINANCIAL REPORTING

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Group Audit and Risk Management Committee to oversee the Group's financial reporting processes and the quality of its financial reporting. The Company announces its quarterly and full year results within the mandatory period.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Statement on Risk Management and Internal Control is set out on page 45 to 46 of the Annual Report.

RELATIONSHIP WITH THE AUDITORS

Key features underlying the relationship of the Group Audit and Risk Management Committee with the external auditors are included in the Group Audit and Risk Management Committee's term of reference as detailed on page 47 to 50 of the Annual Report.



Prionailurus bengalensis, a Leopard Cat observed to be hunting for prey in Tinbarap Estate

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)



SUSTAINABILITY AND CORPORATE RESPONSIBILITY

The Group is committed to adopt the Malaysian Sustainable Palm Oil (MSPO) as the primary sustainability standard. The Group will work and engage with our partners and all relevant stakeholders to meet the objectives of building a sustainable palm oil supply chain based on MSPO.

The Group's activities to promote sustainability during the financial year under review are disclosed in Sustainability Report set out on page 25 to 37 of this Annual Report.

WHISTLEBLOWING POLICY

The Group is committed to achieve and maintain high standard of integrity, accountability and ethical behavior in the conduct of its business and operations. The Group takes a serious view of any improper conduct on the part of any its employees, management, directors and vendors in particular with respect to their obligations to the Group's interests. The policy is established to help the employees and stakeholders to raise concerns without fear of retaliations on any improper conduct that may be observed within the Group.

All reporting or disclosure by a whistleblower who has knowledge or is aware of any improper conduct within the Group is to be directed to the designated person as follow in accordance with the procedures:

- Group Executive Chairman
- Group Chief Executive Officer
- Group Audit and Risk Management Committee Chairman, in the case where reporting to management is a concern.

COMPANY SECRETARY

The Company Secretary, Mr. Eric Kiu Kwong Seng (LS No. 0007062) assumed this role in 1998 and has about 18 years' experience in corporate secretarial services.

The Board has direct access to the advice and services of Company Secretary, who supports the Board in the discharge of its functions. He plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with relevant regulatory requirements, codes of guidance and legislations. He supports the Board in managing the Group Governance Model, ensuring it is effective and relevant. He attends all Board Meetings and ensures that the meetings are properly convened and that proceedings and deliberations at the Board and Board Committee are accurately minuted. He also facilitates the communication of key decisions and policies between the Board, Board Committees and Senior Management and to update the Board on the follow-up or implementation of its decisions/recommendations by the management.

He keeps abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through continuous training.

The Board is satisfied with the performance and support rendered by him in the discharge of his duties as the Company Secretary.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

ANNUAL REVIEW OF DIRECTORS' INDEPENDENCE

The Nominating Committee reviews the independence of Directors annually according to the criteria on independence set out in the Main Market Listing Requirements and Practice Notes of Bursa Securities.

NON-COMPLIANCE

The Group has complied with the principles and recommendations of the Code save for the following recommendations and will further review its corporate governance practices to bring the same in line with recommendations under the Code:

Recommendation 3.2

Tenure of Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, an independent director may continue to serve on the Board subject to the Director's re-designation as a non-independent director.

Explanation

Dr. Dominic Lai Yew Hock has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years. He holds a degree of Doctor of Business Administration in December 2006. His doctoral thesis is on Corporate Governance. The Board has determined at the annual assessment carried out on the Independent Directors that he remains objective and independent in participating in the deliberations and decision making of the Board and Board Committees. The length of his service on the Board does not interfere with his exercise of independent judgment and he acts in the best interest of the Group.

All Independent Directors have provided an annual confirmation of their independence to the Board based on its policy on criteria of assessing independence in line with the definition of "Independent Directors" prescribed by the Main Market Listing Requirements. Ordinary resolution 6(i) retaining Dr. Dominic Lai Yew Hock as Independent Directors has been proposed for shareholder's approval at the 49th Annual General Meeting of the Company, pursuant to the Recommendation 3.3 of the Code.

Recommendation 3.5

The Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

Explanation

The Board comprises ten (10) members, of whom one (1) is Executive Director, six (6) are Non-Independent Non-Executive Directors and three (3) are Independent Non-Executive Directors. In respect of potential conflicts of interest, the Board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. In addition, the presence of Independent Non-Executive Directors with distinguished record and credentials ensure there is independence of judgment.



This Statement on Corporate Governance is made in accordance with a resolution of the Board of Directors dated 23 February 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements on the Group’s compliance with the Principles and Best Practices relating to internal control as stipulated in the Malaysian Code on Corporate Governance 2012 and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement and have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in this Annual Report is inconsistent with their understanding of the process the Board of Directors has adopted in the review of the adequacy and integrity of internal control and risk management system of the Group.

The Board is satisfied with adequacy and effectiveness of the Group’s risk management and internal control system. The board has received assurance from CEO and CFO that the Group’s risk management and internal control system, is operating adequately and effectively, in all material aspects.

BOARD RESPONSIBILITY

The Board affirms its responsibility for the Group’s system of risk management and internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The system of risk management and internal control consists of financial controls, operational and compliance controls, and risk management to safeguard shareholders’ investments and the Group’s assets.

In view of the limitations that are inherent in any system of risk management and internal control, the system is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system could provide only reasonable but not absolute assurance against material misstatement, operational failure, fraud and loss.

KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

Risk Management Framework

The risk management procedure has been established based on the ISO 31000:2009 Risk Management – Principles and Guidelines and will be used for guidance by everyone involved in the application of risk management.

A formal and on-going process of identifying, evaluating, managing and monitoring principal risks that affect the achievement of the Group’s business objectives in a structured manner has been in place since 2002. The Group has established procedures for reporting and monitoring of risks and controls. Regular reviews are conducted on quarterly basis with additional reviews to be carried out as and when required.

The Group Audit and Risk Management Committee has been delegated to oversee the risk management activities, and approve appropriate risk management procedures and measurement methodologies across the Group.

The on-going process is monitored by the Group Risk Management Committee, which consists of Group Chief Executive Officer (“GCEO”) and Heads of Department within the Group. The Group Risk Management Committee reports to the Group Audit and Risk Management Committee on a quarterly basis.



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

OTHER KEY COMPONENTS OF INTERNAL CONTROL SYSTEM

The other key components of the Group's internal control system are described below:

Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Group Executive Chairman together with GCEO lead the presentation of board papers and provide comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a regular basis.

Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority

There is in place an organisational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the dynamic business environment and accountability for operation performance. Capital and non-capital expenditures, acquisition and divestment are subject to appropriate approval processes.

Performance Management Framework

Comprehensive management reports are generated on a regular and consistent basis and presented to the Board for its review of the Group's financial and operating performance. The review encompasses areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

The Group has in place a detailed and well-controlled budgeting process that provides a responsibility accounting framework.

Operational Policies and Procedures

The documented policies and procedures form an integral control system to safeguard the Group assets against material losses and ensure complete and accurate financial information. The documents consist of memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs.

Group Internal Control

The Internal Audit reports regularly on the internal control system and the effectiveness of risk management system of the Group in its quarterly reports to Group Audit and Risk Management Committee.



STRENGTH IN INTERNAL CONTROL

Continuous management efforts are in place to improve the internal control systems. No material losses were incurred during the year due to the weaknesses in the internal control system.

This statement is made in accordance with a resolution of the Board dated 23 February 2017.

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE

The Board is pleased to present the report on the Group Audit and Risk Management Committee (“Committee”) of the Board for the financial year ended 31 December 2016.

MEMBERS REPORT

Chairman

Fong Yoo Kaw @ Fong Yee Kow, Victor CA(M)
Independent Non- Executive Director

Members

Dr Lai Yew Hock, Dominic
Independent Non-Executive Director

Tang Tiong Ing CA(M)
Non-Independent Non-Executive Director

Chua Chen San CA(M) (Appointed on 1 March 2016)
Independent Non- Executive Director

Wong Ngie Yong CA(M) (Resigned on 29 February 2016)
Independent Non- Executive Director

TERMS OF REFERENCE

The Committee was established in 1992 and with effect from 2013, it was renamed as the Group Audit and Risk Management Committee, to serve as a Committee of the Board of Directors, with the terms of reference as set out below:

COMPOSITION OF THE COMMITTEE

- The Committee shall comprise not less than three (3) members;
- All members of the Committee must be Non-Executive Directors, with a majority of them being Independent Non-Executives Directors;
- All members of the Committee should be financially literate and at least one member of the Committee must be a member of Malaysian Institute of Accountants (“MIA”) or shall fulfill such other requirements as prescribed in the listing requirement;
- No alternate Director shall be appointed as a member of the Committee;
- The Chairman who shall be elected by the members of the Committee must be an Independent Non-Executive Director.
- Any vacancy in the Committee resulting in non-compliance of the said requirements must be filled within three (3) months.
- The terms of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.

DUTIES AND RESPONSIBILITIES

The Committee shall:

- Provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the management of financial risk processes, corporate accounting and reporting practices for the Company and Group.
- Maintain a direct line of communication between the Board and the external and internal auditors.
- Act upon the Board’s request to direct and where appropriate supervise any special projects or investigation considered necessary and review investigation reports on any major issues or concerns with regard to the management of the Group.
- Review and monitor to ensure that an adequate system of risk management for the management to safeguard the Group’s assets and operations.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee’s primary responsibilities.
- Any other activities, as authorised by the Board.
- Report promptly to Bursa Malaysia on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Main Market Listing Requirement.

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

AUTHORITY

- The Committee is authorised to seek any information it requires from employees, who are required to co-operate with any request made by Committee.
- The Committee shall have full and unlimited access to any information pertaining to the Group as well as direct communication to the internal and external auditors and with senior management of the Group.
- The committee shall have the resources that are required to perform its duties. The committee can obtain at the expense of the Group, outside legal or other independent professional advice it considers necessary.

FINANCIAL PROCEDURES AND FINANCIAL REPORTING

Review the quarterly results and the year end financial statements, prior to the approval by the Board, ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements.

RELATED PARTY TRANSACTION

Monitor 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 question on management integrity.

EXTERNAL AUDIT

- Review with the external auditors, the audit scope and plan.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the external audit reports and to evaluate their findings and recommendations for actions to be taken.
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendation to the Board.

INTERNAL AUDIT

- Review and approve the yearly internal audit plan, internal audit charter and audit programmes.
- Review the adequacy of the internal audit scope, functions and resources of the internal audit and that it has the necessary authority to carry out its work.
- Review the results of the internal audit and ensure that appropriate action is taken by the management on the recommendations of the internal audits.
- Review the performance of the internal audit to ensure that they are able to exercise independence in discharging their duties.
- Approve any appointment or termination of the senior staff members of the internal audit function.
- Review movement of the internal audit staff members and provide opportunity for resigning staff member to submit reasons for resigning.

RISK MANAGEMENT

- Review the adequacy and effectiveness of risk management, internal control and governance systems in identify risks and risk mitigation.
- Ensure that the Group's has a widespread understanding of risk management principles.

ALLOCATION OF SHARE OPTIONS

Verification on the allocation of any Employee Share Options Scheme (ESOS) to ensure compliance with the criteria for allocation of share options pursuant to the share scheme for employees of the Group at the end of each financial year.

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

MEETINGS

During the financial year ended 31 December 2016, four (4) Committee meetings were held. A record of the attendance to these meetings is as follows:

| Directors | No. of Meetings Attended |
|--|-----------------------------|
| Fong Yoo Kaw @ Fong Yee Kow, Victor, CA(M) | 4/4 |
| Dr Lai Yew Hock, Dominic | 2/4 |
| Tang Tiong Ing, CA(M) | 4/4 |
| Chua Chen San CA(M) (Appointed on 1 March 2016) | 3/3 |
| Wong Ngie Yong (Resigned on 29 February 2016) | 1/1 |

The Committee met (4) times in the financial year. The quorum for a meeting of at least (2) members with the majority of members present being independent Directors was adhered to. The Committee also met with the external auditors twice (2) in the financial year without the presence of the Management. Other Directors and employees were invited to attend Committee meeting on need basis at the Committee's invitation and specific to the relevant meeting. The Company Secretary is the Secretary of the Committee. Minutes of each meeting are distributed to each Board member and the Chairman of the Committee reports on key issues discussed at each meeting to the Board.

INTERNAL AUDIT FUNCTION

The Group has Internal Audit ("IA") function to undertake independent regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The IA reports directly to the Committee with independent and objective reports on the state of internal control of the various operating units within the Group. In addition, the IA also conducts investigations and special reviews at the request of management. Follow-up audits are then carried out to determine whether corrective actions have been taken by the management.

The IA attends the Committee meeting quarterly to present the internal audit findings and makes appropriate recommendations on areas of concern for the Committee's deliberation.

During the year, the IA carried out a total of thirteen (13) audits and reviews covering the Group's operations in the area of plantation, mill, downstream operation, trading, finance and administration. The costs incurred by the IA for the financial year was RM749,532 (2015: RM452,218).



GROUP AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)

ACTIVITIES

The Committee carried out its duties in accordance with its terms of reference during the year.

The summary of activities of the Committee during the year under review were as follows:

- Reviewed with the management on a periodic basis, the Company's general policies, procedures and controls especially in relation to management accounting, financial reporting, risk management and business ethics.
- Reviewed all quarterly unaudited financial results announcements before recommending them for the Board's approval, focusing particularly on;
 - o the changes in or implementation of major accounting policy;
 - o the significant or unusual events;
 - o the assumption of going concern;
 - o compliance with accounting standards and relevant provisions set out under the Malaysia Code on Corporate Governance 2012 for the purpose of preparing the "Statement on Corporate Governance" and "Statement on Risk Management and Internal Control" pursuant to the Listing Requirements of Bursa Malaysia;
 - o disclosure and other legal requirements.
- Reviewed the related party transactions entered into by the Group to ensure transactions were undertaken on normal commercial term and on an arm's length basis including the acquisition of plantation assets from related parties concluded in December, 2016.
- Reviewed the external auditors' scope of work and audit plans for the year prior to commencement of audit.
- Reviewed the annual report and the audited financial statements of the Group with external auditors prior to submission to the Board for their consideration and approval, including issues and findings noted in the course of the audit of the Group's financial statements.
- Considered the appointment of external auditors and audit fees to ensure that such fees commensurate with scope of work.
- Reviewed the IA programmes and plan for the financial year under review and the annual assessment of the internal auditors' performance.
- Reviewed the IA reports, which highlighted the audit issues, recommendations and management's response. Appraised the adequacy of actions and remedial measures taken by the management in resolving the audit issues reported and recommended further improvement measures.
- Reviewed the Group financial, credit limit, futures, derivatives and foreign currency exposures.
- Reviewed the allocation of share options to ensure compliance pursuant to the share scheme.
- Reviewed the risk management processes and reports quarterly in identifying, evaluating and managing risks faced by the Group.



Nurturing and caring for the young oil palm seedlings

LAPORAN JAWATANKUASA AUDIT DAN PENGURUSAN RISIKO

Lembaga dengan sukacitanya mengemukakan Laporan Jawatankuasa Audit Dan Pengurusan Risiko ("Jawatankuasa") bagi tahun kewangan berakhir 31 Disember 2016.

LAPORAN AHLI

Pengerusi

Fong Yoo Kaw @ Fong Yee Kow, Victor CA(M)

Pengarah Bebas Bukan-Eksekutif

Ahli

Dr Lai Yew Hock, Dominic

Pengarah Bebas Bukan-Eksekutif

Tang Tiong Ing CA(M)

Pengarah Bukan-Bebas Bukan-Eksekutif

Chua Chen San CA(M) (Perlantikan Pada 01 Mac 2016)

Pengarah Bebas Bukan-Eksekutif

Wong Ngie Yong (Perletakan Jawatan Pada 29 Feb 2016)

Pengarah Bebas Bukan-Eksekutif

TERMA-TERMA RUJUKAN

Jawatankuasa Audit Kumpulan ("Jawatankuasa") telah ditubuhkan pada 1992 dan berkuatkuasa dari 2013, ia telah dinamakan semula sebagai Jawatankuasa Audit Dan Pengurusan Risiko berfungsi sebagai Jawatankuasa untuk Lembaga Pengarah, dengan terma-terma rujukan seperti disebutkan di bawah:

KEANGGOTAAN AWATANKUASA

- Jawatankuasa ini hendaklah dianggotai oleh tidak kurang daripada tiga (3) orang ahli;
- Semua ahli Jawatankuasa hendaklah terdiri daripada Pengarah Bukan-Eksekutif, dengan majoriti daripada mereka adalah Pengarah Bebas;
- Semua ahli Jawatankuasa hendaklah berilmu pengetahuan dalam urusan kewangan dengan sekurang-kurangnya seorang daripada mereka merupakan ahli Institut Akauntan Malaysia ("MIA") atau memenuhi lain-lain peraturan seperti yang telah ditetapkan dalam syarat penyenaian;
- Pengarah gantian tidak boleh dilantik menganggotai ahli Jawatankuasa;
- Pengerusi yang akan dipilih oleh ahli-ahli Jawatankuasa hendaklah terdiri daripada Pengarah Bukan-Eksekutif Bebas;
- Jika terdapat sebarang kekosongan dalam Jawatankuasa yang menyebabkan kegagalan mematuhi keperluan di atas, mestilah mengisi kekosongan itu dalam tempoh tiga (3) bulan;
- Tempoh jawatan dan prestasi Jawatankuasa dan setiap ahlinya mestilah dikaji oleh Lembaga sekurang-kurangnya sekali setiap tiga (3) tahun.



Overview of SOP Green Energy plant complex

LAPORAN JAWATANKUASA AUDIT DAN PENGURUSAN RISIKO (SAMBUNGAN)

TUGAS DAN TANGGUNGJAWAB

Jawatankuasa hendaklah:

- Memberi bantuan kepada Lembaga Pengarah dalam memenuhi tanggungjawab fidusiari berkaitan pengurusan hal ehwal proses risiko kewangan, amalan-amalan perakaunan korporat dan penyediaan laporan untuk Syarikat dan Kumpulan.
- Mengekalkan hubungan langsung antara Lembaga dengan audit dalaman dan luaran.
- Bertindak mengikut arahan Lembaga untuk mengarah dan apabila perlu, menyelia mana-mana projek khas atau siasatan yang difikirkan perlu serta menyemak laporan siasatan berhubung sebarang isu atau perkara penting yang ada kaitan dengan pengurusan Kumpulan.
- Menyemak dan memantau kewujudan sistem pengurusan risiko yang menyeluruh agar pihak pengurusan dapat mengawasi aset dan operasi Kumpulan.
- Menyediakan laporan jika diperlukan, atau sekurang-kurangnya sekali (1) setahun, kepada Lembaga dengan merumuskan tugas-tugas yang dijalankan bagi memenuhi tanggungjawab utama Jawatankuasa.
- Sebarang aktiviti lain, seperti yang dibenarkan oleh Lembaga.
- Melapor segera kepada Bursa Malaysia berhubung sebarang perkara yang telah dilaporkan kepada Lembaga yang masih belum diselesaikan dengan sewajarnya yang boleh mengakibatkan pelanggaran Syarat Penyenaraian Pasaran Utama Bursa Malaysia.

BIDANG KUASA

- Jawatankuasa ini diberi kuasa dan hak mendapatkan sebarang maklumat daripada pekerja yang dimestikan bekerjasama bagi memenuhi permintaan Jawatankuasa.
- Jawatankuasa harus mempunyai akses tanpa had dan sepenuhnya ke atas sebarang maklumat mengenai Kumpulan dan juga komunikasi langsung dengan juruaudit dalaman dan luaran serta pihak pengurusan kanan Kumpulan.
- Jawatankuasa harus mempunyai sumber diperlukan untuk melaksanakan tanggungjawabnya. Jawatankuasa boleh mendapatkan nasihat perundangan atau lain-lain nasihat bebas daripada luar yang difikirkan perlu dengan tanggungan Kumpulan.

PROSEDUR KEWANGAN DAN LAPORAN KEWANGAN

Mengkaji laporan suku tahunan dan penyata kewangan bagi akhir tahun, sebelum diluluskan Lembaga, bagi memastikan pematuhan polisi sebenar perakaunan, piawaian-piawaian perakaunan serta syarat dan keperluan pendedahan akaun.

TRANSAKSI PIHAK BERKENAN

Memantau sebarang transaksi pihak berkaitan serta situasi percanggahan kepentingan yang mungkin wujud di dalam Kumpulan, termasuk sebarang transaksi, prosedur atau akibat perlakuan yang menimbulkan persoalan kepada integriti pengurusan.

AUDIT LUARAN

- Mengkaji bersama juruaudit luar, skop dan pelan audit.
- Mengkaji kebebasan dan objektiviti juruaudit luar serta khidmat yang diberi, termasuk khidmat bukan-audit dan yuran profesional, bagi memastikan wujud keseimbangan yang munasabah antara objektiviti dan nilai untuk wang.
- Mengkaji laporan audit luaran serta mentafsir penemuan dan cadangan untuk tindakan yang perlu diambil.
- Mengkaji perlantikan dan mutu kerja juruaudit luar, yuran audit dan sebarang perkara berkaitan perletakan jawatan atau pemecatan sebelum membuat syor kepada Lembaga.

AUDIT DALAMAN

- Mengkaji dan meluluskan pelan tahunan audit dalaman, piagam audit dalaman dan program audit.
- Mengkaji kecukupan skop audit dalaman, fungsi dan sumber-sumber audit dalaman bahawa ia mempunyai kuasa sewajarnya untuk melaksanakan tugasnya.
- Mengkaji keputusan-keputusan audit dalaman dan memastikan agar tindakan yang sewajarnya diambil oleh pihak pengurusan berdasarkan cadangan-cadangan yang dibuat oleh audit dalaman.
- Mengkaji prestasi kerja audit bagi memastikan mereka mempunyai kebebasan dalam melaksanakan tugas.
- Meluluskan sebarang perlantikan atau penamatan fungsi ahli-ahli kakitangan kanan audit dalaman.
- Mengkaji pergerakan kakitangan audit dalaman dan memberi peluang kepada kakitangan audit dalaman yang akan berhenti untuk mengemukakan sebab-sebab pemberhentian.

LAPORAN JAWATANKUASA AUDIT DAN PENGURUSAN RISIKO (SAMBUNGAN)

PENGURUSAN RISIKO

- Mengkaji kecukupan dan keberkesanan pengurusan risiko, kawalan dalaman dan sistem tadbir urus mengenalpasti risiko dan risiko pencegahan.
- Memastikan kumpulan mempunyai pemahaman meluas tentang prinsip pengurusan risiko.

PERUNTUKAN SAHAM OPSYEN

Pengesahan peruntukan sebarang Skim Opsyen Saham Kakitangan (ESOS) bagi memastikan pematuhan terhadap kriteria peruntukan opsyen saham seperti yang ditetapkan dalam skim saham untuk kakitangan kumpulan setiap tahun kewangan berakhir.

MESYUARAT

Bagi tahun kewangan berakhir pada 31 Disember 2016, empat (4) mesyuarat Jawatankuasa telah diadakan. Rekod kehadiran ahli pada mesyuarat tersebut adalah seperti berikut:

| Directors | Nombor Mesyuarat Hadirian |
|--|--|
| Fong Yoo Kaw @ Fong Yee Kow, Victor, CA(M) | 4/4 |
| Dr Lai Yew Hock, Dominic | 2/4 |
| Tang Tiong Ing, CA(M) | 4/4 |
| Chua Chen San CA(M) (Appointed on 1 March 2016) | 3/3 |
| Wong Ngie Yong (Resigned on 29 February 2016) | 1/1 |

Mesyuarat akan diadakan empat (4) kali bagi setiap tahun kewangan. Kehadiran majoriti korum bagi mesyuarat hendaklah terdiri sekurang-kurangnya dengan kehadiran dua (2) ahli jawatankuasa yang berfungsi sebagai Pengarah Bebas. Jawatankuasa juga akan mengadakan mesyuarat dengan juruaudit luar dua (2) kali sepanjang tahun kewangan tanpa kehadiran pihak Pengurusan. Ahli-ahli Lembaga dan kakitangan yang lain akan dijemput menghadiri mesyuarat oleh jawatankuasa sekiranya mempunyai perkara-perkara yang berkaitan dengan mesyuarat. Setiausaha Syarikat adalah Setiausaha Jawatankuasa.

Minit-minut bagi setiap mesyuarat hendaklah diedarkan kepada setiap ahli-ahli Lembaga dan Pengerusi Jawatankuasa serta melaporkan perkara penting yang dibincangkan di setiap mesyuarat kepada Lembaga.

FUNGSI AUDIT DALAMAN

Kumpulan mempunyai fungsi Audit Dalaman ("IA") untuk melakukan penilaian semula secara kerap dan sistematik terhadap sistem kawalan dalaman bagi memberi jaminan munasabah bahawa sistem seperti itu boleh terus beroperasi secara memuaskan dan efektif. IA akan membuat laporan terus kepada Jawatankuasa berdasarkan laporan yang bebas dan objektif tentang keadaan kawalan dalaman pelbagai unit operasi di dalam kumpulan. Sebagai tambahan, IA juga menjalankan siasatan dan penilaian khas di atas arahan pihak Pengurusan. Audit susulan dijalankan untuk memastikan pengeyoran dilaksanakan oleh Pengurusan.



IA juga menghadiri mesyuarat suku tahunan Jawatankuasa bagi membentangkan penemuan-penemuan audit dan membuat syor-syor yang bersesuaian berkaitan perkara-perkara untuk tindakan Jawatankuasa.

Sepanjang tempoh tahun kewangan, IA menjalankan tiga belas (13) audit dan penilaian yang merangkumi semua kegiatan operasi Kumpulan di dalam bidang perladangan, perkilangan, operasi hiliran, perdagangan, kewangan dan pertadbiran. Kos untuk IA bagi tahun kewangan adalah sebanyak RM749,532 (2015: RM452,218).

LAPORAN JAWATANKUASA AUDIT DAN PENGURUSAN RISIKO (SAMBUNGAN)

AKTIVITI-AKTIVITI

Jawatankuasa telah menjalankan tugas sejajar dengan terma-terma rujukan bagi tahun semasa.

Rumusan aktiviti-aktiviti Jawatankuasa sepanjang tempoh kajian adalah seperti berikut:

- Mengkaji bersama pengurusan secara berkala, polisi am syarikat, prosedur dan kawalan terutamanya berhubung kait dengan perakaunan pengurusan, laporan kewangan, pengurusan risiko dan etika perniagaan.
- Mengkaji semua pengumuman keputusan suku tahunan kewangan belum diaudit sebelum membuat syor untuk kelulusan Lembaga, dengan fokus utama ke atas:
 - o Perubahan pada atau pelaksanaan polisi utama perakaunan;
 - o Kejadian penting atau di luar kebiasaan;
 - o Andaian usaha berterusan;
 - o Pematuhan dengan piawaian-piawaian perakaunan dan peruntukan berkaitan yang telah ditetapkan oleh Kod Tadbir Urus Korporat Malaysia 2012 bagi tujuan penyediaan "Penyata Tadbir Urus Korporat" dan "Penyata Pengurusan Risiko dan Kawalan Dalaman" selaras dengan Syarat-syarat Penyenaraian Bursa Malaysia;
 - o Pemberitahuan dan lain-lain peraturan perundangan.
- Mengkaji urusniaga pihak berkaitan yang terlibat dengan Kumpulan bagi memastikan transaksi yang dilaksanakan menurut terma perdagangan biasa dan secara kewajaran dan kelaziman usaha termasuk ambil alih aset
- Mengkaji skop kerja juruaudit luar dan rancangan audit tahun semasa sebelum kerja audit dimulakan.
- Mengkaji laporan tahunan dan penyata kewangan yang telah diaudit bersama juruaudit luar sebelum diserahkan kepada Lembaga untuk pertimbangan dan kelulusan, termasuk isu dan penemuan yang dinyatakan oleh juruaudit semasa menjalankan tugas menyiapkan penyataan kewangan bagi Kumpulan.
- Mempertimbang perlantikan juruaudit luar dan yuran audit untuk memastikan bayaran setimpal dengan skop kerja.
- Mengkaji program dan pelan IA bagi tahun kewangan di bawah kajian dan penilaian tahunan mutu kerja audit dalaman.
- Mengkaji laporan IA, yang memberi penekanan tentang isu-isu audit, syor and maklum balas pengurusan. Memberi penilaian kerja ke atas tindakan dan langkah-langkah penambahbaikan yang perlu diambil oleh pihak Pengurusan dalam menyelesaikan isu-isu audit yang dilapor dan disyorkan untuk tujuan penambahbaikan seterusnya.
- Mengkaji kewangan Kumpulan, had kredit, hadapan, derivatif dan pendedahan mata wang asing.
- Mengkaji peruntukan opsyen saham bagi memastikan pematuhan seperti yang ditetapkan dalam skim saham.
- Mengkaji proses pengurusan risiko dan laporan suku tahunan bagi mengenal pasti, menilai dan mengurus risiko yang dihadapi oleh Kumpulan.



Overview of SOPGE Biodiesel and Phytonutrient plant complex

STATEMENT ON DIRECTORS' RESPONSIBILITY

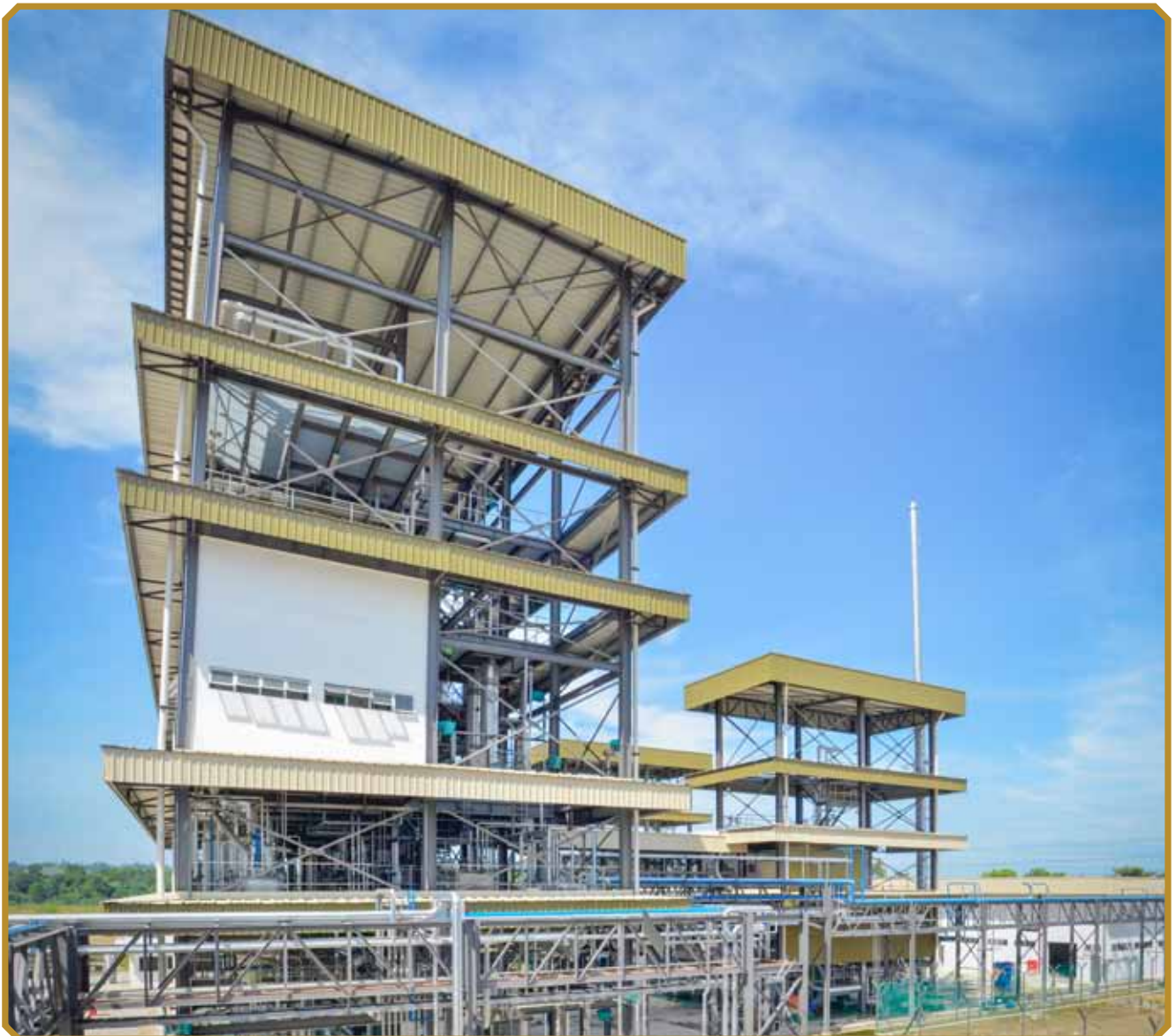
The Directors are required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining their responsibility for preparing the financial statements.

The Directors are also required by the Companies Act, 1965 ("the Act") to prepare financial statements and the results and cash flow for that year which give true and fair value of the state of affairs of the Company and the Group.

In preparing the financial statements for the year ended 31 December 2016 set out in pages 59 to 151, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, followed the applicable approved accounting standards in Malaysia, the provision of the Companies Act 1965 and the Listing Requirements of the Bursa Malaysia Securities Berhad.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy financial information for preparation of the financial statements. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 23 February 2017.



Phytonutrient plant complex

ADDITIONAL COMPLIANCES INFORMATION

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the following information is provided:

1. NON- AUDIT FEES

The amount of non-audit fees incurred in the financial year ended 31 December 2016 to the Group's external auditors is mainly for the tax advisory and accounting services. The breakdown of the fees is as follows:

| Name of Auditor | Fees (RM) |
|-----------------|-----------|
| Ernst & Young | 216,574 |
| KPMG | 151,351 |
| Total | 367,925 |

2. MATERIAL CONTRACTS

There were no material contracts involving the interest of Directors and major shareholders pursuant to paragraph 21, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia entered into by the Group since the end of the previous financial year up to 31 December 2016 except for the followings:

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

The RRPT entered into by the Group during the financial year ended 31 December 2016 were as follows:

| Name of Transacting Party | Nature of Transaction | Related Party # | Year 2016 Actual (RM'000) |
|---------------------------|---|----------------------------------|---------------------------|
| 1. The Group | Purchases of diesel and petrol to oil palm estates of SOPB Group from Shin Yang Services Sdn Bhd ("SY Services") | Tan Sri Datuk Ling Chiong Ho (1) | 84 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 2. The Group | Purchases of lubricant, spare parts and tyres for the tractors and machinery from Shin Yang Trading Sdn Bhd ("SY Trading") | Tan Sri Datuk Ling Chiong Ho (1) | 1,441 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 3. The Group | Purchase of gravel from Hollystone Quarry Sdn Bhd ("HQ") | Tan Sri Datuk Ling Chiong Ho (1) | 8,414 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 4. The Group | Provision of maintenance services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Lieng Trading Sdn Bhd ("DLT") | Tan Sri Datuk Ling Chiong Ho (1) | 794 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 5. The Group | Purchase of tractors and machinery from Dai Lieng Machinery Sdn Bhd ("DLM") | Tan Sri Datuk Ling Chiong Ho (1) | 5,444 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |
| 6. The Group | Purchase of sawn timber from Shin Yang Sawmill Sdn Bhd ("SYSM") | Tan Sri Datuk Ling Chiong Ho (1) | 567 |
| | | Ling Chiong Sing (2) | |
| | | Ling Lu Kuang (3) | |
| | | Tang Tiong Ing (4) | |

ADDITIONAL COMPLIANCES
INFORMATION (CONT'D)

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

| Name of Transacting Party | Nature of Transaction | Related Party # | Year 2016 Actual (RM'000) |
|---------------------------|--|---|---------------------------|
| 7. The Company | Purchase of fresh fruit bunches from Linau Mewah Sdn Bhd ("LMSB") | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4) | 62,919 |
| 8. The Company | Purchase of fresh fruit bunches from Shin Yang Forestry Sdn Bhd ("SYFSB") | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4) | 1,108 |
| 9. The Group | Purchase of plastic bags from Kian Hang Plastic Sdn Bhd ("KHPSB") | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4) | 539 |
| 10. The Group | Land transport services from Melinau Transport Sdn Bhd ("MTSB") | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4) | 2,743 |
| 11. The Group | Land transport services from Miri Belait Transport Company Sdn Bhd ("MBTCSB") | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4) | 1 |
| 12. The Group | Purchase of motor vehicles from Boulevard Jaya Sdn Bhd ("BJSB") | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4) | 297 |
| 13. The Group | Purchase of sawn timber from Menawan Wood Sdn Bhd ("MWSB") | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4) | - |
| 14. The Company | Purchase of FFB, CPO and/or PK from Primaluck(M) Sdn Bhd ('PSB') | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4) | - |
| 15. The Group | Purchase of CPO and PK from Shin Yang Oil Palm(Sarawak) Sdn Bhd ("SYOPSSB") | Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) | 204,508 |
| 16. The Group | Provision of maintenance services and supply and spare parts of mill plant and machinery by Utama Parts Trading (Sarawak) Sdn Bhd ("UPTSSB") | Wong Ngie Yong (5) | 1,167 |

ADDITIONAL COMPLIANCES INFORMATION (CONT'D)

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

Note

- (1) Tan Sri Datuk Ling Chiong Ho is the Group Executive Chairman and major shareholder of SOPB and is also the Director of SYHSB, SY Trading, HQ, SYFSB, SYSM, LMSB, MWSB, BJSB and SYOPSSB. He has substantial direct/ indirect interest in SYHSB, SY Services, SY Trading, HQ, SYSM, LMSB, SYFSB, KHPSB, MTSB, MBTCSB, BJSB, MWSB and SYOPSSB.
- (2) Ling Chiong Sing is the Non-Executive Director of SOPB and is also the Director of SYHSB, DLT, DLM, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, MBTCSB, BJSB, MWSB, Micaline and SYOPSSB. He has substantial direct/ indirect interest in SYHSB, DLT, DLM, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, MBTCSB, PSB, BJSB, MWSB, Micaline and SYOPSSB.
- (3) Ling Lu Kuang is the Non-Executive Director of SOPB and is also the Director of SY Trading, SYSM, SYFSB and MWSB. He is also a deemed person connected to Tan Sri Datuk Ling Chiong Ho and also authorized representative of Shin Yang Group.
- (4) Tang Tiong Ing is the Non- Executive Director of SOPB, an authorized representative and also an employee of Shin Yang Group.
- (5) Wong Ngie Yong is the Independent Non- Executive Director and member of the Audit and Risk Management Committees of SOPB (resigned on 29 February 2016).



FINANCIAL STATEMENTS

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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 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, cultivation of oil palms and operations of palm oil mills. The principal activities of the subsidiaries are set out in Note 18 to the financial statements.

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

RESULTS

| | Group RM'000 | Company RM'000 |
|---------------------------|-----------------|-------------------|
| Profit net of tax | 142,288 | 129,066 |
| Profit attributable to: | | |
| Owners of the Company | 132,196 | 129,066 |
| Non-controlling interests | 10,092 | - |
| | 142,288 | 129,066 |

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 amounts of dividends paid by the Company since 31 December 2015 were as follows:

| | RM'000 |
|--|--------|
| In respect of the financial year ended 31 December 2015 as reported in the Directors' report of that year: | |
| First and final single-tier dividend of 5% on 441,790,829 ordinary shares, paid on 22 July 2016 | 22,090 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2016, of 5% on 570,111,366 ordinary shares, amounting to a dividend payable of RM28,505,568 (5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Datuk Ling Chiong Ho
 Ling Chiong Sing
 Gerald Rentap Jabu (Resigned on 14 February 2017)
 Tang Tiong Ing
 Fong Yoo Kaw @ Fong Yee Kow
 Dr. Lai Yew Hock
 Hasbi Bin Suhaili
 Ling Lu Kuang
 Kamri Bin Ramlee
 Chua Chen San

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 the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director 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 11 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 36 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 (including where applicable the interests of their spouses or children who themselves are not Directors of the Company) in shares in the Company and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares of RM1 Each | | | |
|------------------------------|---------------------------------------|------------|------|---------------|
| | At 1.1.2016 | Acquired | Sold | At 31.12.2016 |
| The Company | | | | |
| Direct interest | | | | |
| Tan Sri Datuk Ling Chiong Ho | 31,069,808 | 8,979,792 | - | 40,049,600 |
| Tang Tiong Ing | 174,880 | 49,965 | - | 224,845 |
| Dr. Lai Yew Hock | 39,400 | 11,257 | - | 50,657 |
| Gerald Rentap Jabu | 1,000 | 285 | - | 1,285 |
| Deemed interest | | | | |
| Tan Sri Datuk Ling Chiong Ho | 126,294,214 | 36,493,686 | - | 162,787,900 |
| Ling Chiong Sing | 126,294,214 | 36,493,686 | - | 162,787,900 |

Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries 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 shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM441,306,709 to RM570,111,366 by way of the issuance of 2,127,220 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM1.49 per ordinary share, and 126,677,437 ordinary shares of RM1.00 each on the basis of two ordinary shares for every seven ordinary shares held at an issue price of RM2.80 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTIONS SCHEME

The Sarawak Oil Palms Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 15 February 2007 and was implemented on 12 March 2007. It is to be in force for a period of 10 years from the date of implementation.

The salient features and other terms of the Employee Share Option Plans are disclosed in Note 37 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who have been granted options to subscribe for less than 44,000 ordinary shares of RM1.00 each.

During the financial year:

The Company granted 327,800 share options under the scheme. These options expire on 12 March 2017 and are exercisable if the employee remains in service.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2016 are as follows:

| Expiry date | Weighted average exercise price RM | Number of options |
|---------------|--|----------------------|
| 12 March 2017 | 4.34 | 3,432,380 |

OTHER STATUTORY INFORMATION

- a) Before the statements of profit or loss and other 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 adequate provision had been made for doubtful debts; 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 debts or the amount of the provision for doubtful debts in the Group and the Company inadequate to any substantial extent; 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.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (Continued)

- 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) 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 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.

SIGNIFICANT EVENTS

Details of a significant event are disclosed in Note 18 to the financial statements.

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 25 April 2017.

Fong Yoo Kaw @ Fong Yee Kow

Tang Tiong Ing

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, **Fong Yoo Kaw @ Fong Yee Kow** and **Tang Tiong Ing**, being two of the Directors of Sarawak Oil Palms Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 69 to 151 are drawn up in accordance with Financial Reporting Standards and 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 December 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 46 to the financial statements 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.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 April 2017.

Fong Yoo Kaw @ Fong Yee Kow

Tang Tiong Ing

STATUTORY DECLARATION

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

I, **Tho Kheng Chiang**, being the Officer primarily responsible for the financial management of Sarawak Oil Palms Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 69 to 151 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 above named **Tho Kheng Chiang** at Miri in the State of Sarawak on 25 April 2017.

Tho Kheng Chiang

Before me,

Lim Swee Huat

Commissioner For Oaths (No. Q095)
Lot 1269 (2nd Floor), Jalan Kwangtung
98000 Miri, Sarawak

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD – 7949-M (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sarawak Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 150.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Acquisition of a subsidiary

During the year, the Group acquired the entire equity interest of SOP Plantations (Murum) Sdn. Bhd. (formerly known as Shin Yang Oil Palm (Sarawak) Sdn. Bhd.) for a cash consideration of RM284 million. The purchase consideration was allocated to the various identifiable assets and liabilities of the acquired entity. The audit of this purchase price allocation is a key audit matter given the magnitude of the amount and since significant management judgement is required in the identification and the determination of the allocation of the purchase price to the assets and liabilities identified at their respective fair value. The Group engaged an external valuer to determine the fair value of the identified oil palm plantations, the oil palm mill and the land.

Our audit procedures included, amongst others, reconciling the purchase consideration to the share sale agreement and assessing the completeness of assets and liabilities identified based on our understanding and knowledge of the business of the acquiree. We considered the objectivity, independence and expertise of the external valuer and assessed the valuation model and estimates used by the external valuer. In addition, we considered the adequacy of the Group's disclosures regarding the acquisition of the subsidiary. Reference is made to Note 18 to the financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD – 7949-M (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements (Continued)

Impairment assessment of Plantation Development Expenditure

The Group operates oil palm plantations with a carrying amount of plantation development expenditure stated at RM1,039,699,596 as at 31 December 2016 which represented 24% of the Group's total assets.

The Group assesses annually whether there are any indications that the carrying amount of the plantation development expenditure in any subsidiaries may be impaired. A history of losses incurred by certain plantations were identified as indicators of impairment.

The estimated recoverable amount is determined based on the higher of an asset's value-in-use ("VIU") and fair value less costs of disposal ("FV"). Where the recoverable amount is lower than the carrying value of the plantation development expenditure, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss.

The Group considered each plantation as a cash-generating unit ("CGU"). Value-in-use is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the plantation is sold on a willing buyer and a willing seller basis.

Based on the outcome of the impairment assessments, the carrying amount of the plantation development expenditure of these plantations was not impaired.

The impairment assessment of the plantations is significant to our audit due to its magnitude in amount and the use of significant judgement and estimates in determining the recoverable amount of the CGUs. The assumptions used include estimates of future yields, prices, operating cost, growth rates and discount rate. Our audit procedures included evaluating management's definition of a CGU and assessing the assumptions and estimates made by the management in determining the net cash inflows generated by the CGUs by comparing with past actual outcomes and current market information. We also assessed the discount rate used by reference to the current market assessments of the time value of money and the risks specific to the asset. We considered the sensitivity analysis on key assumptions, particularly the discount rate used, yields and crude palm oil prices.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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 is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD – 7949-M
(INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements (Continued)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD – 7949-M
(INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements (Continued)

Other reporting responsibilities

The supplementary information set out in Note 46 on page 151 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 18 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries 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.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

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

Yong Nyet Yun
2708/04/18 (J)
Chartered Accountant

Miri, Malaysia

25 April 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Note | Group | | Company | |
|---|------|----------------|-----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Revenue | 4 | 4,416,122 | 3,670,787 | 996,655 | 845,792 |
| Cost of sales | | (3,965,860) | (3,313,882) | (858,103) | (711,825) |
| Gross profit | | 450,262 | 356,905 | 138,552 | 133,967 |
| Dividend income | 5 | - | - | 56,428 | 24,650 |
| Other operating income | 6 | 25,504 | 11,245 | 15,282 | 11,576 |
| Selling and marketing expenses | | (169,473) | (166,312) | (53,625) | (55,057) |
| Administrative expenses | | (33,413) | (14,225) | (7,963) | (2,816) |
| Other operating expenses | | (54,064) | (38,374) | (7,283) | (5,014) |
| Operating profit | | 218,816 | 149,239 | 141,391 | 107,306 |
| Finance income | 7 | 13,633 | 13,269 | 23,232 | 24,513 |
| Finance costs | 8 | (39,564) | (39,274) | (7,795) | (7,037) |
| Share of results of associates | | 3,075 | 528 | - | - |
| Profit before tax | 9 | 195,960 | 123,762 | 156,828 | 124,782 |
| Income tax expense | 12 | (53,672) | (31,859) | (27,762) | (25,252) |
| Profit net of tax | | 142,288 | 91,903 | 129,066 | 99,530 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 132,196 | 88,452 | 129,066 | 99,530 |
| Non-controlling interests | | 10,092 | 3,451 | - | - |
| | | 142,288 | 91,903 | 129,066 | 99,530 |
| Earnings per share attributable to owners of the Company (sen per share) | | | Restated | | |
| Basic | 13 | 28.05 | 19.04 | | |
| Diluted | 13 | 28.02 | 18.96 | | |

STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Profit net of tax | | 142,288 | 91,903 | 129,066 | 99,530 |
| Other comprehensive income | | | | | |
| Foreign currency translation | | 328 | 1,699 | - | - |
| Fair value adjustment on cash flow hedge | | 17 | 61 | - | - |
| Income tax relating to components of other comprehensive income | 12 | (4) | (17) | - | - |
| Other comprehensive income for the year, net of tax | | 341 | 1,743 | - | - |
| Total comprehensive income for the year | | 142,629 | 93,646 | 129,066 | 99,530 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 132,537 | 90,195 | 129,066 | 99,530 |
| Non-controlling interests | | 10,092 | 3,451 | - | - |
| | | 142,629 | 93,646 | 129,066 | 99,530 |

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

| | Note | Group | | Company | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 14 | 1,585,207 | 1,170,276 | 259,703 | 286,064 |
| Plantation development expenditure | 15 | 1,037,688 | 556,008 | 55,766 | 40,719 |
| Land held for property development | 16(a) | 20,262 | 6,764 | - | - |
| Land use rights | 17 | 5,009 | 4,902 | - | - |
| Investment in subsidiaries | 18 | - | - | 1,018,267 | 586,488 |
| Investment in associates | 19 | 1,895 | 10,081 | 1,031 | 9,855 |
| Intangible asset | 20 | 168,123 | 5,182 | - | - |
| Deferred tax assets | 30 | 67,226 | 64,307 | - | - |
| | | 2,885,410 | 1,817,520 | 1,334,767 | 923,126 |
| Current assets | | | | | |
| Inventories | 21 | 315,711 | 289,011 | 51,886 | 61,749 |
| Property development costs | 16(b) | 29,482 | 49,412 | - | - |
| Trade and other receivables | 22 | 347,553 | 396,932 | 682,891 | 626,150 |
| Other current assets | 23 | 2,814 | 6,415 | 505 | 692 |
| Derivatives | 24 | 6,719 | 11,017 | 218 | - |
| Tax recoverable | | 9,502 | 19,370 | 6,489 | 11,110 |
| Cash and bank balances | 25 | 736,111 | 440,736 | 190,850 | 105,378 |
| | | 1,447,892 | 1,212,893 | 932,839 | 805,079 |
| Total assets | | 4,333,302 | 3,030,413 | 2,267,606 | 1,728,205 |
| Equity and liabilities | | | | | |
| Current liabilities | | | | | |
| Loans and borrowings | 26 | 910,577 | 699,395 | 178,845 | 93,875 |
| Trade and other payables | 27 | 771,516 | 274,511 | 129,383 | 99,805 |
| Government grant | 28 | 782 | 391 | - | - |
| Income tax payable | | 5,818 | 2,385 | 706 | 706 |
| Derivatives | 24 | 24,044 | 14,370 | - | 69 |
| Land premium payable | 29 | 6,965 | - | - | - |
| | | 1,719,702 | 991,052 | 308,934 | 194,455 |
| Net current (liabilities)/assets | | (271,810) | 221,841 | 623,905 | 610,624 |

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2016

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Non-current liabilities | | | | | |
| Loans and borrowings | 26 | 277,754 | 402,454 | 21,832 | 66,310 |
| Derivatives | 24 | 48 | 90 | - | - |
| Government grant | 28 | 13,658 | 12,174 | - | - |
| Deferred tax liabilities | 30 | 328,716 | 124,775 | 36,256 | 34,260 |
| Land premium payable | 29 | 20,779 | - | - | - |
| | | 640,955 | 539,493 | 58,088 | 100,570 |
| Total liabilities | | 2,360,657 | 1,530,545 | 367,022 | 295,025 |
| Net assets | | 1,972,645 | 1,499,868 | 1,900,584 | 1,433,180 |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 31 | 570,111 | 441,307 | 570,111 | 441,307 |
| Share premium | 31 | 246,844 | 16,724 | 246,844 | 16,724 |
| Employee share option reserve | 32 | 7,695 | 6,191 | 7,695 | 6,191 |
| Other reserves | 33 | 1,954 | 1,613 | - | - |
| Retained earnings | 34 | 1,048,074 | 937,949 | 1,075,934 | 968,958 |
| | | 1,874,678 | 1,403,784 | 1,900,584 | 1,433,180 |
| Non-controlling interests | | 97,967 | 96,084 | - | - |
| Total equity | | 1,972,645 | 1,499,868 | 1,900,584 | 1,433,180 |
| Total equity and liabilities | | 4,333,302 | 3,030,413 | 2,267,606 | 1,728,205 |

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 DECEMBER 2016

| 2016 Group | Note | Equity attributable to owners of the Company | | Attributable to Equity Holders of the Company | | | | Non-controlling interests RM'000 | |
|--|------|--|--------------------------|---|-------------------------|-------------------------|---|-------------------------------------|--------------------------|
| | | Equity, total RM'000 | Company, total RM'000 | Equity attributable to owners of the Company, total RM'000 | Share capital RM'000 | Share premium RM'000 | Employee share option reserve RM'000 | | Other reserves RM'000 |
| 1 January 2016 | | 1,499,868 | 1,403,784 | 441,307 | 16,724 | 6,191 | 1,613 | 937,949 | 96,084 |
| Profit net of tax | | 142,288 | 132,196 | - | - | - | - | 132,196 | 10,092 |
| Other comprehensive income | | 341 | 341 | - | - | - | 341 | - | - |
| Transactions with owners | | | | | | | | | |
| Dividend paid to non-controlling interests in subsidiaries | | (8,340) | - | - | - | - | - | - | (8,340) |
| Dividends on ordinary shares | 43 | (22,090) | (22,090) | - | - | - | - | (22,090) | - |
| Dilutions of interest in subsidiaries | | 150 | 19 | - | - | - | - | 19 | 131 |
| Issuance of ordinary shares | | | | | | | | | |
| Pursuant to exercise of share options | | 3,166 | 3,166 | 2,127 | 1,039 | - | - | - | - |
| Pursuant to exercise of rights issue | | 354,695 | 354,695 | 126,677 | 228,018 | - | - | - | - |
| Share options granted under ESOS | | 2,567 | 2,567 | - | - | 2,567 | - | - | - |
| Exercise of share options | | - | - | - | 1,063 | (1,063) | - | - | - |
| 31 December 2016 | | 1,972,645 | 1,874,678 | 570,111 | 246,844 | 7,695 | 1,954 | 1,048,074 | 97,967 |

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| 2015 Group | Equity, total RM'000 | Equity attributable to owners of the Company, total RM'000 | Attributable to Equity Holders of the Company | | | Distributable | | | Non- controlling interests RM'000 |
|---|----------------------------|--|---|----------------------------|--|-----------------------------|--------------------------------|-----------------------|--|
| | | | Share capital RM'000 | Share premium RM'000 | Employee share option reserve RM'000 | Other reserves RM'000 | Retained earnings RM'000 | Non- distributable | |
| 1 January 2015 | 1,428,906 | 1,330,724 | 439,498 | 14,656 | 5,206 | (130) | 871,494 | 98,182 | |
| Profit net of tax | 91,903 | 88,452 | - | - | - | - | 88,452 | 3,451 | |
| Other comprehensive income | 1,743 | 1,743 | - | - | - | 1,743 | - | - | |
| Transactions with owners | | | | | | | | | |
| Dividend paid to non-controlling interests in subsidiaries | (5,549) | - | - | - | - | - | - | (5,549) | |
| Dividends on ordinary shares Issuance of ordinary shares: | (21,997) | (21,997) | - | - | - | - | (21,997) | - | |
| 43 | | | | | | | | | |
| Pursuant to exercise of share options | 2,609 | 2,609 | 1,809 | 800 | - | - | - | - | |
| Share options granted under ESOS | 2,253 | 2,253 | - | - | 2,253 | - | - | - | |
| Exercise of share options | - | - | - | 1,268 | (1,268) | - | - | - | |
| 31 December 2015 | 1,499,868 | 1,403,784 | 441,307 | 16,724 | 6,191 | 1,613 | 937,949 | 96,084 | |

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| 2016 Company | Note | ← Non distributable | | | → Distributable | |
|---------------------------------------|------|----------------------------|----------------------------|----------------------------|--|--------------------------------|
| | | Equity, total RM'000 | Share capital RM'000 | Share premium RM'000 | Employee share option reserve RM'000 | Retained earnings RM'000 |
| 1 January 2016 | | 1,433,180 | 441,307 | 16,724 | 6,191 | 968,958 |
| Total comprehensive income | | 129,066 | - | - | - | 129,066 |
| Transactions with owners | | | | | | |
| Dividends on ordinary shares | 43 | (22,090) | - | - | - | (22,090) |
| Issuance of ordinary shares: | | | | | | |
| Pursuant to exercise of share options | | 3,166 | 2,127 | 1,039 | - | - |
| Pursuant to exercise of rights issue | | 354,695 | 126,677 | 228,018 | - | - |
| Share options granted under ESOS: | | | | | | |
| Recognised in profit or loss | | 1,360 | - | - | 1,360 | - |
| Charged to subsidiaries | | 1,207 | - | - | 1,207 | - |
| Exercise of share options | | - | - | 1,063 | (1,063) | - |
| 31 December 2016 | | 1,900,584 | 570,111 | 246,844 | 7,695 | 1,075,934 |

| 2015 Company | Note | ← Non distributable | | | → Distributable | |
|---------------------------------------|------|----------------------------|----------------------------|----------------------------|--|--------------------------------|
| | | Equity, total RM'000 | Share capital RM'000 | Share premium RM'000 | Employee share option reserve RM'000 | Retained earnings RM'000 |
| 1 January 2015 | | 1,350,785 | 439,498 | 14,656 | 5,206 | 891,425 |
| Total comprehensive income | | 99,530 | - | - | - | 99,530 |
| Transactions with owners | | | | | | |
| Dividends on ordinary shares | 43 | (21,997) | - | - | - | (21,997) |
| Issuance of ordinary shares: | | | | | | |
| Pursuant to exercise of share options | | 2,609 | 1,809 | 800 | - | - |
| Share options granted under ESOS: | | | | | | |
| Recognised in profit or loss | | 1,297 | - | - | 1,297 | - |
| Charged to subsidiaries | | 956 | - | - | 956 | - |
| Exercise of share options | | - | - | 1,268 | (1,268) | - |
| 31 December 2015 | | 1,433,180 | 441,307 | 16,724 | 6,191 | 968,958 |

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 DECEMBER 2016

| | Note | Group | | Company | |
|---|------|----------------|-----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Operating activities | | | | | |
| Profit before tax | | 195,960 | 123,762 | 156,828 | 124,782 |
| <u>Adjustments for:</u> | | | | | |
| Amortisation of land use rights | 17 | 94 | 79 | - | - |
| Amortisation of plantation development expenditure | 15 | 27,703 | 29,742 | 2,770 | 3,867 |
| Depreciation of property, plant and equipment | 14 | 79,186 | 78,299 | 36,860 | 37,861 |
| Dividend income | 5 | - | - | (56,428) | (24,650) |
| Share options granted under ESOS | 32 | 2,567 | 2,253 | 1,360 | 1,297 |
| Fair value changes on derivatives | | 13,947 | (6,582) | (287) | 69 |
| Gain on disposal of property, plant and equipment | 6 | (1,216) | (552) | (669) | (267) |
| Finance income | 7 | (13,633) | (13,269) | (23,232) | (24,513) |
| Interest expense | 8 | 39,564 | 39,274 | 7,795 | 7,037 |
| Impairment loss on receivables | 9 | 128 | - | - | - |
| Loss on disposal of property, plant and equipment | 9 | - | 178 | - | - |
| Unrealised (gain)/loss on foreign exchange | | (376) | 1,053 | 146 | (554) |
| Property, plant and equipment written off | 9 | 502 | 344 | 278 | 336 |
| Plantation development expenditure written off | 9 | 1,728 | - | 1,728 | - |
| Share of results of an associate | | (3,075) | (528) | - | - |
| Total adjustments | | 147,119 | 130,291 | (29,679) | 483 |
| Operating cash flows before changes in working capital | | 343,079 | 254,053 | 127,149 | 125,265 |
| <u>Changes in working capital</u> | | | | | |
| (Increase)/Decrease in inventories | | (3,967) | (56,192) | 9,863 | (35,972) |
| Decrease/(Increase) in property development costs | | 20,228 | (13,830) | - | - |
| Increase in trade and other receivables | | (40,866) | (215,011) | (7,399) | (6,813) |
| Decrease/(Increase) in other current assets | | 3,601 | (3,009) | 187 | (108) |
| Increase in trade and other payables | | 5,631 | 27,959 | 8,365 | 18,630 |
| Net movement in subsidiaries balances | | - | - | (26,922) | (52,122) |
| Total changes in working capital | | (15,373) | (260,083) | (15,906) | (76,385) |
| Cash flows from/(used in) operations | | 327,706 | (6,030) | 111,243 | 48,880 |
| Interest received | | 4,690 | 2,765 | - | - |
| Interest paid | | (29,987) | (31,177) | - | - |
| Income tax paid | | (56,244) | (60,829) | (28,708) | (31,000) |
| Income tax refunded | | 9,720 | 4,478 | 7,563 | - |
| Net cash flows from/(used in) operating activities | | 255,885 | (90,793) | 90,098 | 17,880 |

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Note | Group | | Company | |
|---|------|------------------|-----------------|------------------|-----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Investing activities | | | | | |
| Dividend received | | - | - | 56,428 | 24,650 |
| Dividend received from an associate | | 2,370 | - | - | - |
| Interest received | | 8,960 | 10,504 | 23,232 | 24,513 |
| Purchase of property, plant and equipment | | (55,705) | (99,045) | (11,306) | (9,151) |
| Increase in plantation development expenditures | | (22,902) | (9,849) | (19,046) | (5,663) |
| Increase in land held for property development | | (13,498) | - | - | - |
| Additions to land use rights | | (202) | (368) | - | - |
| Proceeds from disposal of property, plant and equipment | | 1,901 | 2,184 | 1,076 | 1,677 |
| Proceeds from reduction of shares in an associate | | 8,824 | - | 8,824 | - |
| Proceeds from partial disposal of shares in subsidiaries | | 150 | - | - | - |
| Acquisition of additional shares in subsidiaries | | - | - | (3,050) | (6,755) |
| Acquisition of preference shares in subsidiaries | | - | - | (144,000) | (45,000) |
| Acquisition of additional shares in an associate | | - | (1,350) | - | (1,350) |
| Acquisition of subsidiaries, net of cash | | (266,143) | - | (284,729) | - |
| Net cash flows used in investing activities | | (336,245) | (97,924) | (372,571) | (17,079) |
| Financing activities | | | | | |
| Net movement in trade financing | | 145,247 | 196,125 | 40,772 | 15,127 |
| Repayment of loans and borrowings | | (163,100) | (165,188) | (80,700) | (87,221) |
| Repayment of obligations under finance leases | | (8,215) | (11,395) | (4,057) | (5,595) |
| Proceeds from exercise of ESOS | | 3,166 | 2,609 | 3,166 | 2,609 |
| Proceeds from exercise of rights issue | | 354,695 | - | 354,695 | - |
| Proceeds from loans and borrowings | | 86,126 | 138,615 | 84,100 | 83,000 |
| Proceeds from obligations under finance leases | | - | 167 | - | - |
| Proceeds from government grant | | 1,875 | 12,565 | - | - |
| Dividend paid | | (22,090) | (21,997) | (22,090) | (21,997) |
| Dividend paid to non-controlling interests | | (8,340) | (5,549) | - | - |
| Interest paid | | (11,318) | (11,176) | (7,795) | (7,037) |
| Net cash flows from/(used in) financing activities | | 378,046 | 134,776 | 368,091 | (21,114) |
| Net increase/(decrease) in cash and cash equivalents | | 297,686 | (53,941) | 85,618 | (20,313) |
| Cash and cash equivalents at 1 January | | 437,236 | 487,929 | 105,378 | 125,137 |
| Effect of exchange rate changes on cash and cash equivalents | | 1,189 | 3,248 | (146) | 554 |
| Cash and cash equivalents at 31 December | 25 | 736,111 | 437,236 | 190,850 | 105,378 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.

The principal activities of the Company are investment holding, cultivation of oil palms and operations of palm oil mills. The principal activities of the subsidiaries are set out in Note 18 to the financial statements.

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

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 (“FRS”) and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2016 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

2.2 Changes in accounting policies

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

On 1 January 2016, the Group and the Company adopted the following new and amended FRSs and Annual Improvements which are mandatory for annual financial periods beginning on or after 1 January 2016.

| Description | Effective for annual periods beginning on or after |
|---|--|
| Annual Improvements to FRSs 2012 - 2014 Cycle | 1 January 2016 |
| Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to FRS 116 and FRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities - Applying the Consolidation Exception | 1 January 2016 |
| Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to FRS 101: Disclosure Initiatives | 1 January 2016 |
| Amendments to FRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| FRS 14: Regulatory Deferral Accounts | 1 January 2016 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(a) Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments do not have any impact to the Group and the Company as the Group and the Company have not used a revenue-based method to depreciate its non-current assets.

(b) Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities - Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated.

In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are applied retrospectively and do not have any impact on the Group's and the Company's financial statements.

(c) Amendments to FRS 11: Accounting for Acquisition of Interest in Joint Operations

The amendments to FRS 11 require that a joint operator which requires an interest in a joint operations which constitute a business to apply the relevant FRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to FRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments do not have any impact on the Group's consolidated financial statements as there has been no interest acquired in a joint operation during the year.

(d) Amendments to FRS 101: Disclosure Initiatives

The amendments to FRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The amendments do not have a material impact on the Group's and the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(e) Amendments to FRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying FRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of FRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to FRS.

These amendments do not have any impact on the Group's and the Company's financial statements.

(f) Annual Improvements to FRSs 2012 - 2014 Cycle

The Annual Improvements to FRSs 2012 - 2014 Cycle include a number of amendments to various FRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(i) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

The amendment to FRS 5 clarifies that changing from one disposal method to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in FRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is applied prospectively.

(ii) FRS 7: Financial Instruments - Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in FRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report. This amendment is applied retrospectively.

(iii) FRS 134: Interim Financial Reporting

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

(g) FRS 14: Regulatory Deferral Accounts

FRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of FRS. Entities that adopt FRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing FRS preparer, this standard would not apply.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| Description | Effective for annual periods beginning on or after |
|---|--|
| Annual Improvements to FRSs 2014 - 2016 Cycle: | |
| (i) Amendments to FRS 12: Disclosure of Interests in Other Entities | 1 January 2017 |
| Amendments to FRS 107: Disclosures Initiatives | 1 January 2017 |
| Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| FRS 16: Leases | 1 January 2019 |
| Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

(a) Amendments to FRS 107: Disclosures Initiatives

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

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

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

(c) Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

(c) Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Continued)

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including their parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer adoption of the new MFRS Framework and continue to use the existing Financial Reporting Standards framework until the MFRS Framework is mandated by the MASB. According to an announcement made by the MASB on 28 October 2015, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2016 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

- (i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

Business combinations (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.9.

2.5 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Group and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency (Continued)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|--------------------------------------|----------------|
| Leasehold land | 52 – 100 years |
| Infrastructures | 47 – 100 years |
| Buildings | 5 – 20 years |
| Furniture and office equipment | 5 – 10 years |
| Motor vehicles and vessels | 5 – 8 years |
| Plant, machinery and field equipment | 4 – 10 years |

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Certain leasehold land have not been revalued since they were first revalued in 1991. The Directors have not adopted policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS16 (Revised): Property, Plant and Equipment, these assets continued to be stated at their 1991 valuation less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.8 Plantation development expenditure

New planting expenditure and replanting expenditure incurred on land clearing, upkeep of immature oil palms and interest incurred during the pre-maturity period (pre-cropping costs) is capitalised under plantation development expenditure. Upon maturity, all subsequent maintenance expenditure is taken to profit or loss and the capitalised pre-cropping cost is amortised on a straight line basis over 25 years, the expected useful life of oil palms.

2.9 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.11 Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Subsidiaries

A subsidiary is an entity over which the Group has controlled.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.13 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies FRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdraft.

2.15 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

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

Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

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

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

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

2.16 Inventories

(a) Inventories of refined palm oil products and futures contracts

Inventories of refined palm oil products are valued at the lower of cost and spot prices prevailing at the reporting date.

Cost of refined palm oil products includes cost of raw materials of crude palm oil and palm kernel, direct labour and an appropriate proportion of fixed and variable production overheads.

The Group has committed purchase and sales contracts for palm oil that are entered into as part of its manufacturing and sale activities. The prices and physical delivery of the sales and purchases are fixed in the contracts and these contracts are not recognised in the financial statements until physical deliveries take place.

Gains or losses arising from matched non-physical delivery futures contracts of palm based products are recognised immediately in the statement of profit or loss. These futures contracts are entered into as part and parcel of the business of the Company to manage the price risk of its physical inventory.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.16 Inventories (Continued)

(a) Inventories of refined palm oil products and futures contracts (Continued)

Outstanding futures contracts of palm-based products are valued at their fair values at the reporting date. Where available, quoted market prices are used as a measure of fair values for the outstanding contracts. Where the quoted market prices are not available, fair values are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar. Unrealised losses arising from the valuation are set off against unrealised gains on an aggregate basis.

(b) Other processed inventories

Fresh fruit bunches, processed inventories of crude palm oil and palm kernel and nursery inventories comprising seedlings remaining in nursery for eventual field planting, are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Cost of processed inventories and nursery inventories includes cost of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(c) Other inventories

Other inventories are stated at the lower of cost and net realisable value.

2.17 Financial assets

Financial assets are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are measured initially at fair value, plus, in the case of financial assets not measured subsequently at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit and loss and loans and receivables.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.17 Financial assets (Continued)

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.18 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.19 Financial liabilities (Continued)

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit and loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.20 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.22 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the profit or loss as incurred or capitalised in plantation development expenditure, as appropriate.

(b) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

2.23 Leases

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer.

(b) Rendering of services

Revenue services rendered is recognised net of discounts as and when the services are performed.

(c) Sale of properties

Revenue for sale of properties is accounted for by the stage of completion method as described in Note 2.15.

2.25 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.25 Income taxes (Continued)

(b) Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the financial statements.

2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.28 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, commodity futures and interest rate swaps to manage its exposure to its foreign market risks, price risks of its physical inventory of crude palm oil and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that did not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to profit or loss.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. Crude palm oil futures are valued at the end of the reporting period against quoted market prices. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

The Group uses derivatives to manage its exposure to interest rate risk by interest rate swaps. The Group applies hedge accounting for this hedging relationship which qualifies for hedge accounting.

For the purpose of hedge accounting, hedging relationship is classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability.

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

2.29 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.29 Fair value measurements (Continued)

All assets and liabilities for which fair values in measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurements as a whole:

- | | |
|---------|--|
| Level 1 | - Quoted (unadjusted) market prices in active markets for identical assets or liabilities |
| Level 2 | - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable |
| Level 3 | - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy as explained above.

2.30 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

2.31 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.32 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment and plantation development expenditure

The cost of property, plant and equipment for the running of estate operations and plantation development expenditure are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these assets to be within 4 to 99 years for property, plant and equipment and 25 years for plantation development expenditure.

These are common life expectancies applied in the oil palm industry. Changes in the expected level of usage and technological developments and other factors could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment and plantation development expenditure at the reporting date is disclosed in Notes 14 and 15 respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 2.73% (2015: 4.37%) variance in the Group's profit for the year.

(b) Impairment of plantation development expenditure

The Group operates oil palm plantations with a carrying amount of plantation development expenditure stated at RM1,037,684,256 (2015: RM556,008,403) which represented 24% (2015: 18%) of the Group's total assets.

The Group assesses annually whether there are any indications that the carrying amount of the plantation development expenditure in any subsidiaries may be impaired. A history of losses incurred by certain plantations were identified as indicators of impairment.

The estimated recoverable amount is determined based on the higher of an asset's value-in-use ("VIU") and fair value less costs of disposal ("FV"). Where the recoverable amount is lower than the carrying value of the plantation development expenditure, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss.

The Group considered each plantation as a cash-generating unit ("CGU"). Value-in-use is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the plantation is sold on a willing buyer and a willing seller basis.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

3. Significant accounting judgements and estimates (Continued)

Key sources of estimation uncertainty (Continued)

(c) Deferred tax assets(Continued)

The carrying value of deferred tax assets of the Group at 31 December 2016 was RM67,226,000 (2015: RM64,307,000) and recognised tax losses and capital allowances were RM311,229,000 (2015: RM299,396,000) and RM546,245,000 (2015: RM568,517,000).

(d) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value are given in Note 20.

(e) Fair values of financial instruments

Where the fair values of the financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The valuation of financial instruments is described in more detail in Note 39.

4. Revenue

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Sales of palm based products | 4,409,158 | 3,662,836 | 996,655 | 845,792 |
| Sale of properties | 6,964 | 7,951 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 4,416,122 | 3,670,787 | 996,655 | 845,792 |

5. Dividend income

Dividend income from:

| | | | | |
|----------------|-------|-------|--------|--------|
| - Subsidiaries | - | - | 54,058 | 24,650 |
| - Associate | - | - | 2,370 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | - | 56,428 | 24,650 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

6. Other income

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Gain on disposal of property, plant and equipment | 1,216 | 552 | 669 | 267 |
| Fair value gain on derivatives | - | 6,582 | 287 | - |
| Rental income | 317 | 159 | 9,834 | 8,760 |
| Miscellaneous | 8,885 | 3,952 | 4,492 | 1,995 |
| Net gain on foreign exchange | 15,086 | - | - | 554 |
| | 25,504 | 11,245 | 15,282 | 11,576 |

7. Finance income

| | | | | |
|----------------------------|--------|--------|--------|--------|
| Interest income from: | | | | |
| - Short term deposits | 11,157 | 12,315 | 3,042 | 3,427 |
| - Current account | 2,476 | 954 | 1,158 | 276 |
| - Advances to subsidiaries | - | - | 19,032 | 20,810 |
| | 13,633 | 13,269 | 23,232 | 24,513 |

8. Finance costs

| | | | | |
|--|---------|---------|-------|-------|
| Interest expenses on: | | | | |
| - Bank loans | 19,883 | 25,940 | 2,247 | 3,089 |
| - Bankers acceptances | 12,261 | 7,617 | 1,145 | 15 |
| - Obligations under finance leases | 448 | 714 | 258 | 441 |
| - Revolving credits | 8,134 | 7,500 | 4,069 | 3,411 |
| - Interest rate swap | 80 | 62 | - | - |
| - Others | 499 | 520 | 76 | 81 |
| | 41,305 | 42,353 | 7,795 | 7,037 |
| Less: Amount capitalised in: | | | | |
| - Plantation development expenditure (Note 15) | (278) | (643) | - | - |
| - Property, plant and equipment (Note 14) | (1,165) | (508) | - | - |
| - Property development costs (Note 16(b)) | (298) | (1,928) | - | - |
| Total finance costs | 39,564 | 39,274 | 7,795 | 7,037 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

9. Profit before tax

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| The following items have been included in arriving at profit before tax: | | | | |
| Employee benefits expense (Note 10) | 178,609 | 168,460 | 49,344 | 53,753 |
| Non-executive directors' remuneration | 515 | 651 | 405 | 404 |
| Auditors' remuneration | | | | |
| - Current year | 499 | 433 | 120 | 100 |
| - Underprovision in previous years | 32 | 1 | 20 | - |
| Depreciation of property, plant and equipment (Note 14) | 79,186 | 78,299 | 36,860 | 37,861 |
| Amortisation of plantation development expenditure (Note 15) | 27,703 | 29,742 | 2,770 | 3,867 |
| Amortisation of land use rights (Note 17) | 94 | 79 | - | - |
| Rental expenses | 16,982 | 14,348 | 785 | 289 |
| Loss on disposal of property, plant and equipment | - | 178 | - | - |
| Property, plant and equipment written off | 502 | 344 | 278 | 336 |
| Plantation development expenditure written off | 1,728 | - | 1,728 | - |
| Net loss on foreign exchange | - | 31,959 | 146 | - |
| Fair value loss on derivatives | 13,947 | - | - | 69 |
| Impairment loss on receivables (Note 22) | 128 | - | - | - |

10. Employee benefits expense

| | | | | |
|--|---------|---------|---------|--------|
| Salaries and wages | 171,404 | 159,064 | 48,739 | 49,119 |
| Social security contributions | 654 | 637 | 307 | 325 |
| Share options granted under ESOS | 2,567 | 2,253 | 1,360 | 1,297 |
| Contributions to defined contribution plan | 8,265 | 7,219 | 2,975 | 2,968 |
| Other benefits | 291 | 230 | 41 | 44 |
| | 183,181 | 169,403 | 53,422 | 53,753 |
| Less: Amount capitalised in plantation development expenditure | (4,572) | (943) | (4,078) | - |
| | 178,609 | 168,460 | 49,344 | 53,753 |

Included in employee benefits expense of the Group and of the Company are the Executive Director's remuneration amounting to RM1,980,000 (2015: RM2,059,000) and RM1,918,000 (2015: RM1,997,000) respectively as further disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

10. Employee benefits expense (Continued)

The remuneration of Directors and other members of key management during the year was as follows:

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Short-term employee benefits | 11,920 | 6,966 | 2,099 | 1,891 |
| Post-employment benefits: | | | | |
| Defined contribution plan | 1,541 | 797 | 357 | 216 |
| Share-based payment | 464 | 583 | 126 | 156 |
| | 13,925 | 8,346 | 2,582 | 2,263 |

Members of key management of the Group and the Company who are not Directors have been granted the following number of options under the Employee Share Options Scheme ("ESOS"):

| | Group/Company | |
|----------------|---------------|--------------|
| | 2016 '000 | 2015 '000 |
| At 1 January | 3,293 | 3,995 |
| Granted | - | 501 |
| Exercised | (1,653) | (1,203) |
| At 31 December | 1,640 | 3,293 |

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 37).

11. Directors' remuneration

The details of remuneration receivable by Directors of the Company during the year are as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Executive: | | | | |
| Bonus | 466 | 518 | 466 | 518 |
| Fees | 107 | 106 | 45 | 44 |
| Other emoluments | 1,407 | 1,435 | 1,407 | 1,435 |
| Total executive directors' remuneration (excluding benefits-in-kind) (Note 10) | 1,980 | 2,059 | 1,918 | 1,997 |
| Estimated money value of benefits-in-kind | 28 | 28 | 28 | 28 |
| Total executive directors' remuneration (including benefits-in-kind) | 2,008 | 2,087 | 1,946 | 2,025 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

11. Directors' remuneration (Continued)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Non-executive: | | | | |
| Fees | 515 | 651 | 405 | 404 |
| Total non-executive directors' remuneration | 515 | 651 | 405 | 404 |
| Total directors' remuneration | 2,523 | 2,738 | 2,351 | 2,429 |

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

| | Number of Directors | |
|---------------------------------|---------------------|------|
| | 2016 | 2015 |
| Executive Director: | | |
| RM2,000,000 - RM2,050,000 | 1 | - |
| RM2,050,001 - RM2,100,000 | - | 1 |
| Non-Executive Directors: | | |
| Below RM50,000 | 6 | 6 |
| RM50,001 - RM100,000 | 3 | 3 |

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Statement of profit or loss: | | | | |
| Current income tax: | | | | |
| Malaysian income tax | 56,648 | 47,610 | 25,509 | 24,760 |
| Under/(Over)provision in respect of previous years | 668 | (120) | 257 | (139) |
| | 57,316 | 47,490 | 25,766 | 24,621 |
| Deferred income tax (Note 30): | | | | |
| Origination or reversal of temporary differences | (3,683) | (13,604) | 1,636 | 1,438 |
| Under/(Over) provision in respect of previous years | 39 | (2,027) | 360 | (807) |
| | (3,644) | (15,631) | 1,996 | 631 |
| Income tax expense recognised in profit or loss | 53,672 | 31,859 | 27,762 | 25,252 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

12. Income tax expense (Continued)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Profit before tax | 195,960 | 123,762 | 156,828 | 124,782 |
| Tax at Malaysian statutory tax rate of 24% (2015: 25%) | 47,030 | 30,941 | 37,639 | 31,196 |
| Adjustments: | | | | |
| Effect of lower tax rate in Singapore | (616) | (615) | - | - |
| Non-deductible expenses | 5,992 | 4,921 | 3,078 | 1,268 |
| Income not subject to taxation | (935) | (461) | (13,543) | (6,162) |
| Effect of tax incentives | (149) | (701) | - | - |
| Effect of reduction in tax rates | - | 337 | - | (60) |
| Deferred tax assets not recognised during the year | 1,454 | 28 | - | - |
| Reversal of deferred tax assets not recognised in previous years | (413) | (19) | - | - |
| Under/(Over) provision of income tax in respect of previous years | 668 | (120) | 257 | (139) |
| Under/(Over) provision of deferred tax in respect of previous years | 39 | (2,027) | 360 | (807) |
| Utilisation of previously unrecognised capital allowance | (11) | (380) | - | - |
| Others | 613 | (45) | (29) | (44) |
| Income tax expense recognised in profit or loss | 53,672 | 31,859 | 27,762 | 25,252 |
| Deferred tax relating to other comprehensive income: | | | | |
| Fair value adjustment on cash flow hedge | 4 | 17 | - | - |

Malaysian current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

13. Earnings per share

Continuing operations

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

| | Group | |
|---|----------------|-----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share | 132,196 | 88,452 |
| | | Restated |
| | 2016 | 2015 |
| | '000 | '000 |
| Weighted average number of ordinary shares of basic earnings per share computation | 471,341 | 464,644 |
| Effect of dilution - share options | 375 | 1,890 |
| Weighted average number of ordinary shares for diluted earnings per share computation | 471,716 | 466,534 |

The weighted average numbers of ordinary shares for basic and diluted earnings per share computation for the previous year have been restated to reflect the effect of rights issue with an exercise price below market price.

14. Property, plant and equipment

| Group | Land, buildings and infra- structure * | Furniture and office equipment | Motor vehicles and vessels | Plant, machinery and field equipment | Capital work-in- progress | Total |
|--|---|--------------------------------------|-------------------------------------|---|---------------------------------|-----------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost: | | | | | | |
| At 1.1.2015 | 853,451 | 18,268 | 100,352 | 520,325 | 79,163 | 1,571,559 |
| Additions | 10,223 | 1,556 | 7,193 | 13,705 | 74,682 | 107,359 |
| Reclassification from plantation development expenditure | 190 | - | - | - | - | 190 |
| Disposals | (1,174) | - | (1,388) | (601) | (210) | (3,373) |
| Written off | (192) | (77) | (39) | (1,733) | - | (2,041) |
| Reclassification | 926 | 3,127 | 1,015 | 21,915 | (26,983) | - |
| Exchange translation differences | - | 26 | 83 | - | - | 109 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

14. Property, plant and equipment (Continued)

| Group | Land, buildings and infra- structure * RM'000 | Furniture and office equipment RM'000 | Motor vehicles and vessels RM'000 | Plant, machinery and field equipment RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|----------------------------------|---|--|---|---|---|-----------------|
| Cost: (Continued) | | | | | | |
| At 31.12.2015 and 1.1.2016 | 863,424 | 22,900 | 107,216 | 553,611 | 126,652 | 1,673,803 |
| Additions | 21,033 | 2,896 | 1,667 | 10,864 | 23,395 | 59,855 |
| Acquisition of a subsidiary | 400,542 | 1,350 | 8,654 | 24,469 | 274 | 435,289 |
| Disposals | (162) | (176) | (1,346) | (2,002) | - | (3,686) |
| Written off | (299) | (72) | (220) | (1,979) | (7) | (2,577) |
| Reclassification | 50,691 | 21 | (789) | 26,785 | (76,708) | - |
| Exchange translation differences | 941 | 12 | 19 | - | - | 972 |
| At 31.12.2016 | 1,336,170 | 26,931 | 115,201 | 611,748 | 73,606 | 2,163,656 |
| Accumulated depreciation: | | | | | | |
| At 1.1.2015 | 151,667 | 10,019 | 55,741 | 210,602 | - | 428,029 |
| Charge for the year | 22,346 | 1,553 | 9,064 | 45,771 | - | 78,734 |
| Reclassification | (122) | - | 578 | (456) | - | - |
| Disposals | - | - | (838) | (725) | - | (1,563) |
| Written off | (192) | (61) | (38) | (1,406) | - | (1,697) |
| Exchange translation differences | - | 4 | 20 | - | - | 24 |
| At 31.12.2015 and 1.1.2016 | 173,699 | 11,515 | 64,527 | 253,786 | - | 503,527 |
| Charge for the year | 23,174 | 1,768 | 7,698 | 47,336 | - | 79,976 |
| Reclassification | 55 | - | (384) | 329 | - | - |
| Disposals | (146) | (82) | (940) | (1,833) | - | (3,001) |
| Written off | (143) | (49) | (207) | (1,676) | - | (2,075) |
| Exchange translation differences | - | 5 | 17 | - | - | 22 |
| At 31.12.2016 | 196,639 | 13,157 | 70,711 | 297,942 | - | 578,449 |
| Net carrying amount: | | | | | | |
| At 31.12.2015 | 689,725 | 11,385 | 42,689 | 299,825 | 126,652 | 1,170,276 |
| At 31.12.2016 | 1,139,531 | 13,774 | 44,490 | 313,806 | 73,606 | 1,585,207 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

14. Property, plant and equipment (Continued)

*Land, Buildings and Infrastructures

| Group | Short term leasehold land RM'000 | Long term leasehold land RM'000 | Buildings RM'000 | Infrastructures RM'000 | Total RM'000 |
|---|--|---------------------------------------|---------------------|---------------------------|-----------------|
| Cost: | | | | | |
| At 1.1.2015 | 68,625 | 215,840 | 267,748 | 301,238 | 853,451 |
| Additions | - | 574 | 8,768 | 881 | 10,223 |
| Reclassification | - | - | (2,723) | 2,723 | - |
| Reclassified from plantation development expenditure | - | - | 190 | - | 190 |
| Disposals | - | (1,174) | - | - | (1,174) |
| Written off | - | - | (192) | - | (192) |
| Transferred from capital work-in-progress | - | - | (576) | 1,502 | 926 |
| At 31.12.2015 and 1.1.2016 | 68,625 | 215,240 | 273,215 | 306,344 | 863,424 |
| Additions | - | 294 | 17,233 | 3,506 | 21,033 |
| Reclassification | - | 552 | 32,122 | 18,017 | 50,691 |
| Acquisition of a subsidiary | - | 297,310 | 52,074 | 51,158 | 400,542 |
| Disposals | - | - | (162) | - | (162) |
| Written off | - | - | (299) | - | (299) |
| Exchange translation differences | - | - | 941 | - | 941 |
| At 31.12.2016 | 68,625 | 513,396 | 375,124 | 379,025 | 1,336,170 |
| Accumulated depreciation: | | | | | |
| At 1.1.2015 | 14,545 | 19,904 | 86,127 | 31,091 | 151,667 |
| Charge for the year | 1,259 | 2,763 | 13,388 | 4,936 | 22,346 |
| Reclassification | - | - | (235) | 113 | (122) |
| Written off | - | - | (192) | - | (192) |
| At 31.12.2015 and 1.1.2016 | 15,804 | 22,667 | 99,088 | 36,140 | 173,699 |
| Charge for the year | 2,658 | 1,165 | 14,440 | 4,911 | 23,174 |
| Reclassification | - | - | 55 | - | 55 |
| Disposal | - | - | (146) | - | (146) |
| Written off | - | - | (143) | - | (143) |
| At 31.12.2016 | 18,462 | 23,832 | 113,294 | 41,051 | 196,639 |
| Net carrying amount: | | | | | |
| At 31.12.2015 | 52,821 | 192,573 | 174,127 | 270,204 | 689,725 |
| At 31.12.2016 | 50,163 | 489,564 | 261,830 | 337,974 | 1,139,531 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

14. Property, plant and equipment (Continued)

| Company | Leasehold land, buildings and infra- structure* RM'000 | Furniture and office equipment RM'000 | Motor vehicles and vessels RM'000 | Machinery and field equipment RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|----------------------------------|---|--|---|---|---|-----------------|
| Cost: | | | | | | |
| At 1.1.2015 | 190,988 | 11,638 | 62,552 | 254,017 | 26,364 | 545,559 |
| Reclassification | 1,572 | 3,122 | - | 22,692 | (27,386) | - |
| Additions | 24 | 738 | 4,957 | 2,181 | 5,283 | 13,183 |
| Disposals | - | (4) | (977) | (1,485) | (210) | (2,676) |
| Written off | (10) | (36) | (37) | (1,066) | - | (1,149) |
| At 31.12.2015 and 1.1.2016 | 192,574 | 15,458 | 66,495 | 276,339 | 4,051 | 554,917 |
| Reclassification | 25 | 23 | - | 730 | (778) | - |
| Additions | 114 | 2,182 | 770 | 4,314 | 4,303 | 11,683 |
| Disposals | - | (52) | (1,256) | (1,092) | - | (2,400) |
| Written off | - | (18) | (220) | (833) | - | (1,071) |
| At 31.12.2016 | 192,713 | 17,593 | 65,789 | 279,458 | 7,576 | 563,129 |
| Accumulated depreciation: | | | | | | |
| At 1.1.2015 | 61,306 | 6,793 | 31,817 | 133,155 | - | 233,071 |
| Charge for the year | 7,180 | 825 | 6,310 | 23,546 | - | 37,861 |
| Disposals | - | (1) | (593) | (672) | - | (1,266) |
| Written off | (10) | (24) | (37) | (742) | - | (813) |
| At 31.12.2015 and 1.1.2016 | 68,476 | 7,593 | 37,497 | 155,287 | - | 268,853 |
| Charge for the year | 7,139 | 1,002 | 4,529 | 24,689 | - | 37,359 |
| Disposals | - | (41) | (990) | (962) | - | (1,993) |
| Written off | - | (16) | (206) | (571) | - | (793) |
| At 31.12.2016 | 75,615 | 8,538 | 40,830 | 178,443 | - | 303,426 |
| Net carrying amount: | | | | | | |
| At 31.12.2015 | 124,098 | 7,865 | 28,998 | 121,052 | 4,051 | 286,064 |
| At 31.12.2016 | 117,098 | 9,055 | 24,959 | 101,015 | 7,576 | 259,703 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

14. Property, plant and equipment (Continued)

* Leasehold land, buildings and infrastructure

| Company | Long term leasehold land RM'000 | Buildings RM'000 | Infrastructure RM'000 | Total RM'000 |
|---|------------------------------------|---------------------|--------------------------|-----------------|
| Cost: | | | | |
| At 1.1.2015 | 38,851 | 143,022 | 9,115 | 190,988 |
| Transferred from capital work-in-progress | - | 1,397 | 175 | 1,572 |
| Additions | - | 24 | - | 24 |
| Written off | - | (10) | - | (10) |
| At 31.12.2015 and 1.1.2016 | 38,851 | 144,433 | 9,290 | 192,574 |
| Transferred from capital work-in-progress | - | 25 | - | 25 |
| Additions | - | 114 | - | 114 |
| At 31.12.2016 | 38,851 | 144,572 | 9,290 | 192,713 |
| Accumulated depreciation: | | | | |
| At 1.1.2015 | 8,540 | 52,236 | 530 | 61,306 |
| Charge for the year | 524 | 6,496 | 160 | 7,180 |
| Written off | - | (10) | - | (10) |
| At 31.12.2015 and 1.1.2016 | 9,064 | 58,722 | 690 | 68,476 |
| Charge for the year | 528 | 6,451 | 160 | 7,139 |
| At 31.12.2016 | 9,592 | 65,173 | 850 | 75,615 |
| Net carrying amount: | | | | |
| At 31.12.2015 | 29,787 | 85,711 | 8,600 | 124,098 |
| At 31.12.2016 | 29,259 | 79,399 | 8,440 | 117,098 |

a) Assets held under finance leases

During the financial year, the Group and the Company acquired plant and machinery and motor vehicles with an aggregate cost of RM2,985,000 (2015: RM7,806,000) and RM377,300 (2015: RM4,032,000) respectively by means of finance leases. The cash outflows on acquisition of property, plant and equipment of the Group and of the Company amounted to RM55,705,000 (2015: RM99,045,000) and RM11,306,000 (2015: RM9,151,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

14. Property, plant and equipment (Continued)

a) Assets held under finance leases (Continued)

The carrying amounts of plant and machinery and motor vehicles held under finance leases are as follows:

| | Group | | Company | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Plant and machinery | 10,759 | 13,016 | 4,794 | 5,252 |
| Motor vehicles | 6,611 | 7,925 | 5,189 | 5,075 |
| | 17,370 | 20,941 | 9,983 | 10,327 |

Leased assets are pledged as security for the related finance lease liabilities (Note 26).

b) Additions to property, plant and equipment include:

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Loan interests capitalised (Note 8) | 1,165 | 508 | - | - |

c) Depreciation and amortisation charge for the year is allocated as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Profit or loss (Note 9) | 79,186 | 78,299 | 36,860 | 37,861 |
| Plantation development expenditure (Note 15) | 790 | 407 | 499 | - |
| Property development cost (Note 16) | - | 28 | - | - |
| | 79,976 | 78,734 | 37,359 | 37,861 |

d) The net carrying amount of leasehold land pledged for loan and borrowings as referred to in Note 26 are as follows:

| | Group | | Company | |
|----------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Leasehold land | 24,296 | 23,956 | - | - |

e) The issuance of certain land titles to the subsidiaries by relevant government authorities is in progress.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

15. Plantation development expenditure

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cost: | | | | |
| At 1 January | 777,143 | 766,426 | 106,013 | 100,350 |
| Additions | 23,971 | 10,907 | 19,545 | 5,663 |
| Acquisition of a subsidiary | 487,140 | - | - | - |
| Reclassification to property, plant and equipment | - | (190) | - | - |
| Written off | (20,894) | - | (20,894) | - |
| At 31 December | 1,267,360 | 777,143 | 104,664 | 106,013 |
| Accumulated amortisation: | | | | |
| At 1 January | 221,135 | 191,393 | 65,294 | 61,427 |
| Amortisation for the year (Note 9) | 27,703 | 29,742 | 2,770 | 3,867 |
| Written off | (19,166) | - | (19,166) | - |
| At 31 December | 229,672 | 221,135 | 48,898 | 65,294 |
| Net carrying amount: | | | | |
| At 31 December | 1,037,688 | 556,008 | 55,766 | 40,719 |

Additions to plantation development expenditure include:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Depreciation of property, plant and equipment (Note 14) | 790 | 407 | 499 | - |
| Loan interests capitalised (Note 8) | 278 | 643 | - | - |
| Amortisation of land use rights (Note 17) | 1 | 8 | - | - |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

16. Land held for property development

(a) Land held for property development

| | Leasehold land RM'000 | Development costs RM'000 | Total RM'000 |
|--|-----------------------------|--------------------------------|-----------------|
| Group | | | |
| Cost: | | | |
| At 1 January 2015, 31 December 2015 and 1 January 2016 | 6,756 | 8 | 6,764 |
| Additions | 3,000 | 635 | 3,635 |
| Transfer from property development costs | 3,055 | 6,808 | 9,863 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2016 | 12,811 | 7,451 | 20,262 |

(b) Property development costs

| | | | |
|--|---------|----------|----------|
| Group | | | |
| Cumulative property development costs | | | |
| At 1 January 2015 | 11,599 | 22,726 | 34,325 |
| Costs incurred during the year | 201 | 22,916 | 23,117 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2015 and 1 January 2016 | 11,800 | 45,642 | 57,442 |
| Costs incurred during the year | 109 | 10,813 | 10,922 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2016 | 11,909 | 56,455 | 68,364 |
| | <hr/> | <hr/> | <hr/> |
| Cumulative costs recognised in profit or loss | | | |
| At 1 January 2015 | (212) | (487) | (699) |
| Recognised during the year | (374) | (6,957) | (7,331) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2015 and 1 January 2016 | (586) | (7,444) | (8,030) |
| Recognised during the year | (531) | (2,180) | (2,711) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2016 | (1,117) | (9,624) | (10,741) |
| | <hr/> | <hr/> | <hr/> |
| Transfer to property development costs | | | |
| At 1 January 2015, 31 December 2015 and 1 January 2016 | - | - | - |
| To land held for property development | (3,055) | (6,808) | (9,863) |
| To inventories | (1,399) | (16,879) | (18,278) |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2016 | (4,454) | (23,687) | (28,141) |
| | <hr/> | <hr/> | <hr/> |
| Property development costs: | | | |
| At 31 December 2016 | 6,338 | 23,144 | 29,482 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2015 | 11,214 | 38,198 | 49,412 |

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016 (CONT'D)

16. Land held for property development (Continued)

(b) Property development costs (Continued)

Included in land held for property development incurred during the financial year are:

| | 2016 RM'000 | 2015 RM'000 |
|---|----------------|----------------|
| Interest expenses (Note 8) | 298 | 1,928 |
| Depreciation of property, plant and equipment (Note 14) | - | 28 |

17. Land use rights

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cost: | | | | |
| At 1 January | 5,147 | 4,779 | - | - |
| Additions | 202 | 368 | - | - |
| At 31 December | 5,349 | 5,147 | - | - |
| Accumulated amortisation: | | | | |
| At 1 January | 245 | 158 | - | - |
| Amortisation for the year | 95 | 87 | - | - |
| Recognised in profit or loss (Note 9) | 94 | 79 | - | - |
| Capitalised in plantation development expenditure (Note 15) | 1 | 8 | - | - |
| At 31 December | 340 | 245 | - | - |
| Net carrying amount: | | | | |
| At 31 December | 5,009 | 4,902 | - | - |
| Amount to be amortised: | | | | |
| - Not later than one year | 97 | 94 | - | - |
| - Later than one year but not later than five years | 389 | 376 | - | - |
| - Later than five years | 4,523 | 4,432 | - | - |
| | 5,009 | 4,902 | - | - |

The addition of land use rights is land acquisition related cost for the NCR development project capitalised during the year.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

18. Investment in subsidiaries

| | Company | |
|--------------------------------|------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Unquoted shares at cost | | |
| - Ordinary shares | 788,667 | 500,888 |
| - Redeemable preference shares | 229,600 | 85,600 |
| | <u>1,018,267</u> | <u>586,488</u> |

Details of the subsidiaries are shown as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership interest held by the Group | | % of ownership interest held by non-controlling interests | |
|--|--------------------------|---|---|-----------|---|-----------|
| | | | 2016 % | 2015 % | 2016 % | 2015 % |
| Held by the Company: | | | | | | |
| SOP Karabungan Sdn. Bhd. | Malaysia | Cultivation of oil palms | 70 | 70 | 30 | 30 |
| SOP Pelita Batu Lintang Plantation Sdn. Bhd. | Malaysia | Cultivation of oil palms | 60 | 60 | 40 | 40 |
| SOP Plantations (Balingian) Sdn. Bhd.* | Malaysia | Cultivation of oil palms | 80 | 80 | 20 | 20 |
| SOP Plantations (Beluru) Sdn. Bhd. | Malaysia | Cultivation of oil palms | 100 | 100 | - | - |
| SOP Plantations (Borneo) Sdn. Bhd. | Malaysia | Cultivation of oil palms | 85 | 85 | 15 | 15 |
| SOP Plantations (Kemena) Sdn. Bhd. | Malaysia | Cultivation of oil palms | 100 | 100 | - | - |
| SOP Plantations (Niah) Sdn. Bhd.* | Malaysia | Cultivation of oil palms | 80 | 80 | 20 | 20 |
| SOP Plantations (Sarawak) Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 | - | - |
| SOP Plantations (Suai) Sdn. Bhd.* | Malaysia | Cultivation of oil palms | 85 | 85 | 15 | 15 |
| SOP Plantations (Sabaju) Sdn. Bhd. | Malaysia | Cultivation of oil palms | 60 | 60 | 40 | 40 |
| SOP Plantations (Murum) Sdn. Bhd. (Formerly known as Shin Yang Oil Palm (Sarawak) Sdn. Bhd.) | Malaysia | Cultivation of oil palms and operations of palm oil mills | 100 | - | - | - |
| SOP Resources Sdn. Bhd. | Malaysia | Supplies of goods | 100 | 100 | - | - |
| SOP Services Sdn. Bhd. | Malaysia | Rendering of IT and insurance services | 100 | 100 | - | - |
| SOP Industries Sdn. Bhd. | Malaysia | Investment holding | 100 | 100 | - | - |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

18. Investment in subsidiaries (Continued)

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership interest held by the Group | | % of ownership interest held by non-controlling interests | |
|--|--------------------------|---|---|-----------|---|-----------|
| | | | 2016 % | 2015 % | 2016 % | 2015 % |
| Held by the Company: (Continued) | | | | | | |
| SOP Properties Sdn. Bhd. | Malaysia | Property development | 100 | 100 | - | - |
| SOP-Pelita Developments Sdn. Bhd. | Malaysia | Inactive | 65 | 65 | 35 | 35 |
| SOP Agro Sdn. Bhd.* | Malaysia | Processing oil palm by-products into fertilisers | 100 | 100 | - | - |
| SOP Corporate Services Sdn. Bhd. (Formerly known as SOP Lambirmass Sdn. Bhd.) | Malaysia | Inactive | 100 | 100 | - | - |
| SOP Transport Sdn. Bhd.* | Malaysia | Transportation services | 100 | 100 | - | - |
| Subur Asiamas Sdn. Bhd.* | Malaysia | Packaging and distribution of food products | 70 | 100 | 30 | - |
| SOPB Pte. Ltd.** | Singapore | Sales and marketing agents and trading of palm products | 100 | 100 | - | - |
| Asia Oils Investment Pte. Ltd.** | Singapore | Other investment holding companies | 100 | - | - | - |
| Held through SOP Industries Sdn. Bhd.: | | | | | | |
| SOP Green Energy Sdn. Bhd. | Malaysia | Manufacturing of biodiesel | 100 | 100 | - | - |
| SOP Edible Oils Sdn. Bhd. | Malaysia | Refining and trading of palm products | 100 | 100 | - | - |
| SOP Foods Sdn. Bhd. | Malaysia | Manufacturing of bottles for the consumer packaging plant | 100 | 100 | - | - |
| SOP Nutraceuticals Sdn. Bhd. | Malaysia | Inactive | 100 | 100 | - | - |
| Held through SOP Plantations (Beluru) Sdn. Bhd.: | | | | | | |
| Setia Wiramaju Sdn. Bhd. | Malaysia | Management and maintenance of road and barge | 51.82 | 51.82 | 48.18 | 48.18 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

18. Investment in subsidiaries (Continued)

| Name of subsidiaries | Country of incorporation | Principal activities | % of ownership interest held by the Group | | % of ownership interest held by non-controlling interests | |
|--|--------------------------|--|---|------|---|------|
| | | | 2016 | 2015 | 2016 | 2015 |
| Held through SOP Properties Sdn. Bhd.: | | | | | | |
| SOP Properties (Mortgage) Sdn. Bhd. | Malaysia | Inactive | 100 | 100 | - | - |
| Wawasan Asiamaju Sdn. Bhd. | Malaysia | Property development | 51 | -# | - | - |
| Held through SOP Edible Oils Sdn. Bhd.: | | | | | | |
| Asia Oils Pte. Ltd.** | Singapore | Sales and marketing agents and trading of palm | 100 | - | - | - |

* Audited by a firm of auditors other than Ernst & Young.

** Audited by a member firm of Ernst & Young Global

a) Acquisition of subsidiaries

During the current financial year, the Group completed the following acquisitions:

SOP Plantations (Murum) Sdn. Bhd. (Formerly known as Shin Yang Oil Palm (Sarawak) Sdn. Bhd.)

On 22 December 2016, the Company completed the acquisition of 2,000,000 ordinary shares in SOP Plantations (Murum) Sdn. Bhd. for a cash consideration of RM284,432,317.

Asia Oils Investment Pte. Ltd. (Formerly known as Investments Pte. Ltd.)

On 3 June 2016, the Company acquired 100% equity interest in Asia Oils Investment Pte. Ltd. for a cash consideration of RM296,200.

Asia Oils Pte. Ltd. (Formerly known as Asia Pte. Ltd.)

During the year, the Company acquired 100% equity interest in Asia Oils Pte. Ltd. for a cash consideration of USD2,000,000.

Wawasan Asiamaju Sdn. Bhd.

During the year, the Group acquired an additional 1.5% equity interest or 1,500 ordinary shares in Wawasan Asiamaju Sdn. Bhd. for a cash consideration of RM1,500.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

18. Investment in subsidiaries (Continued)

a) Acquisition of subsidiaries (Continued)

The fair values of the identifiable assets and liabilities of subsidiaries as at the date of acquisition were:

2016
Group

| | SOP Plantations (Murum) Sdn. Bhd. RM'000 | Asia Oils Pte. Ltd. RM'000 | Others RM'000 | Total RM'000 |
|---|---|----------------------------------|------------------|-----------------|
| Property, plant and equipment | 435,289 | - | - | 435,289 |
| Plantation development expenditure | 487,140 | - | - | 487,140 |
| Inventories | 22,733 | - | - | 22,733 |
| Trade and other receivables | 19,354 | - | 46 | 19,400 |
| Cash and bank balances | 18,248 | 8,038 | 339 | 26,625 |
| | 982,764 | 8,038 | 385 | 991,187 |
| Loans and borrowings | 23,595 | - | - | 23,595 |
| Trade and other payables | 630,607 | - | 54 | 630,661 |
| Provision for taxation | 2,427 | - | - | 2,427 |
| Deferred tax liabilities | 204,641 | - | - | 204,641 |
| | 861,270 | - | 54 | 861,324 |
| Net identifiable assets | 121,494 | 8,038 | 331 | 129,893 |
| Less: Non-controlling interest | - | - | (33) | (33) |
| Net identifiable assets acquired | 121,494 | 8,038 | 298 | 129,830 |
| The effect of the acquisitions on cash flows is as follows: | | | | |
| Total cost of the business combination | 284,432 | 8,038 | 298 | 292,768 |
| Less: Cash and cash equivalents of subsidiaries acquired | (18,248) | (8,038) | (339) | (26,625) |
| Net cash outflows on acquisitions | 266,184 | - | (41) | 266,143 |
| <u>Goodwill arising on acquisition</u> | | | | |
| Fair value of net identifiable assets | 121,494 | 8,038 | 298 | 129,830 |
| Less: Non-controlling interests | - | - | - | - |
| Group's interest in fair value of net identifiable assets | 121,494 | 8,038 | 298 | 129,830 |
| Goodwill on acquisition (Note 20) | 162,941 | - | - | 162,941 |
| Cost of business combination | 284,435 | 8,038 | 298 | 292,771 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

18. Investment in subsidiaries (Continued)

a) Acquisition of subsidiaries (Continued)

The contribution of revenue and profit or loss for the year by SOP Plantations (Murum) Sdn. Bhd. is considered not material due to the short period between the acquisition date and the financial year end.

The other subsidiary companies contributed the following results to the Group:

**2016
Group**

| | Asia Oils Pte. Ltd. RM'000 | Asia Oils Investment Pte. Ltd. RM'000 | Wawasan Asiamaju Sdn. Bhd. RM'000 | Total RM'000 |
|----------------------------|---|--|--|-------------------------|
| Revenue | 185,713 | 264 | - | 185,977 |
| Profit/(Loss) for the year | 228 | (81) | (5) | 142 |

The fair values of the identifiable assets and liabilities of subsidiaries as at the date of acquisition were:

**2015
Group**

| | Others RM'000 | Total RM'000 |
|-------------------------|--------------------------|-------------------------|
| Cash and bank balances | 100 | 100 |
| Net identifiable assets | 100 | 100 |

The effect of the acquisitions on cash flows is as follows:

| | | |
|---|-------|-------|
| Total cost of the business combination | 100 | 100 |
| Less: Cash and cash equivalents of subsidiaries acquired | (100) | (100) |
| Net cash outflow on acquisitions | - | - |
| Goodwill arising on acquisition | | |
| Fair value of net identifiable assets | 100 | 100 |
| Less: Non-controlling interests | - | - |
| Group's interest in fair value of net identifiable assets | 100 | 100 |
| Goodwill on acquisition (Note 20) | - | - |
| Cost of business combination | 100 | 100 |

Goodwill on business acquisition is entirely attributable to the deferred tax liability resulting from the temporary differences between the fair value of the assets acquired and their tax base upon acquisition of the oil palm plantation business.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

18. Investment in subsidiaries (Continued)

b) Non-controlling interests

Summarised financial information of SOP Plantations (Niah) Sdn. Bhd., SOP Plantations (Balingian) Sdn. Bhd. and SOP Plantations (Borneo) Sdn. Bhd. which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statements of financial position

| | SOP Plantations (Niah) Sdn. Bhd. | | SOP Plantations (Balingian) Sdn. Bhd. | | SOP Plantations (Borneo) Sdn. Bhd. | | Total | |
|--|-------------------------------------|----------------|--|----------------|---------------------------------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Non-current assets | 53,735 | 55,355 | 42,771 | 44,180 | 117,234 | 123,020 | 213,740 | 222,555 |
| Current assets | 97,877 | 95,884 | 86,937 | 79,443 | 116,651 | 99,248 | 301,465 | 274,575 |
| Total assets | 151,612 | 151,239 | 129,708 | 123,623 | 233,885 | 222,268 | 515,205 | 497,130 |
| Current liabilities | 4,170 | 5,320 | 4,943 | 6,196 | 8,287 | 7,671 | 17,400 | 19,187 |
| Non-current liabilities | 10,350 | 10,823 | 8,374 | 8,675 | 24,516 | 25,464 | 43,240 | 44,962 |
| Total liabilities | 14,520 | 16,143 | 13,317 | 14,871 | 32,803 | 33,135 | 60,640 | 64,149 |
| Net assets | 137,092 | 135,096 | 116,391 | 108,752 | 201,082 | 189,133 | 454,565 | 432,981 |
| Equity attributable to owners of the Company | 109,674 | 108,077 | 93,113 | 87,002 | 170,920 | 160,763 | 373,707 | 355,842 |
| Non-controlling interests | 27,418 | 27,019 | 23,278 | 21,750 | 30,162 | 28,370 | 80,858 | 77,139 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

18. Investment in subsidiaries (Continued)

b) Non-controlling interests (Continued)

(ii) Summarised statements of profit or loss and other comprehensive income

| | SOP Plantations (Niah) Sdn. Bhd. | | SOP Plantations (Balingian) Sdn. Bhd. | | SOP Plantations (Borneo) Sdn. Bhd. | | Total |
|---|-------------------------------------|----------------|--|----------------|---------------------------------------|----------------|---------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 | |
| Revenue | 48,930 | 49,138 | 46,408 | 40,502 | 100,438 | 83,345 | 172,985 |
| Profit for the year, representing total comprehensive income | 16,996 | 16,559 | 17,838 | 12,589 | 31,949 | 20,178 | 49,326 |
| Total comprehensive income attributable to owners of the Company | 13,597 | 13,247 | 14,270 | 10,071 | 27,157 | 17,151 | 40,469 |
| Total comprehensive income attributable to the non-controlling interests | 3,399 | 3,312 | 3,568 | 2,518 | 4,792 | 3,027 | 8,857 |
| Dividend paid to non- controlling interests | 16,996 | 16,559 | 17,838 | 12,589 | 31,949 | 20,178 | 49,326 |
| | 3,000 | 2,010 | 2,040 | 2,040 | 3,000 | 1,500 | 5,550 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

18. Investment in subsidiaries (Continued)
b) Non-controlling interests (Continued)

(iii) Summarised cash flows

| | SOP Plantations (Niah) Sdn. Bhd. | | SOP Plantations (Balingian) Sdn. Bhd. | | SOP Plantations (Borneo) Sdn. Bhd. | | Total | |
|--|-------------------------------------|----------------|--|----------------|---------------------------------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Net cash from operating activities | 13,750 | 18,760 | 19,824 | 19,476 | 35,218 | 30,677 | 68,792 | 68,913 |
| Net cash from/(used in) investing activities | 1,380 | 772 | (970) | (666) | 884 | (1,757) | 1,294 | (1,651) |
| Net cash used in financing activities | (15,000) | (10,063) | (10,986) | (10,309) | (20,024) | (10,420) | (46,010) | (30,792) |
| Net increase in cash and cash equivalents | 130 | 9,469 | 7,868 | 8,501 | 16,078 | 18,500 | 24,076 | 36,470 |
| Cash and cash equivalents at beginning of the year | 89,772 | 80,303 | 73,215 | 64,714 | 86,717 | 68,217 | 249,704 | 213,234 |
| Cash and cash equivalents at end of the year | 89,902 | 89,772 | 81,083 | 73,215 | 102,795 | 86,717 | 273,780 | 249,704 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

19. Investment in associates

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Unquoted shares, at cost | 1,031 | 9,904 | 1,031 | 9,855 |
| Share of post acquisition reserves | 864 | 177 | - | - |
| | 1,895 | 10,081 | 1,031 | 9,855 |

Details of the associate are as follows:

| Name of company | Country of incorporation | Principal activities | % of ownership interest held by the Group | | Accounting model applied |
|----------------------------|--------------------------|----------------------|---|-----------|--------------------------|
| | | | 2016 % | 2015 % | |
| Micaline Sdn. Bhd. | Malaysia | Shipping agency | 45 | 45.0 | Equity method |
| Wawasan Asiamaju Sdn. Bhd. | Malaysia | Property development | -# | 49.5 | Equity method |
| Sinar Asiamas Sdn. Bhd. | Malaysia | Shipping | 45 | - | Equity method |

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

| | Group | |
|-------------------------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Assets and liabilities | | |
| Total assets | 16,286 | 73,324 |
| Total liabilities | (12,699) | (50,964) |
| Results | | |
| Revenue | 31,474 | 41,315 |
| Profit for the year | 6,834 | 1,160 |

Refer to Note 18.

20. Intangible asset

Goodwill

Cost:

| | | |
|-----------------------------|---------|-------|
| At 1 January | 5,182 | 5,182 |
| Acquisition of a subsidiary | 162,941 | - |
| At 31 December | 168,123 | 5,182 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

20. Intangible asset (Continued)

Impairment testing for goodwill

For the purpose of impairment testing of goodwill, the goodwill are allocated to the respective CGUs, which represents the following subsidiaries in the oil palm segment:

| | Group | |
|------------------------------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| SOP Plantations (Murum) Sdn. Bhd. | 162,941 | - |
| SOP Plantations (Borneo) Sdn. Bhd. | 1,026 | 1,026 |
| SOP Industries Sdn. Bhd. | 696 | 696 |
| SOP Karabungan Sdn. Bhd. | 500 | 500 |
| SOP Plantations (Sabaju) Sdn. Bhd. | 2,960 | 2,960 |
| | <hr/> | <hr/> |
| | 168,123 | 5,182 |

The recoverable amount of the CGU is determined using the fair value less cost to sell (“FVLCS”) calculation (level 3 fair value measurement). Management’s estimates of FVLCS is based on the report by an external independent professional valuer. FVLCS is determined using the discounted cash flows method, taking into consideration projected plantation land value, Fresh Fruit Bunches (“FFB”) yield, FFB sale price, upkeep and maintenance cost and discount rate, over 25 years being the expected useful life of oil palm.

The key assumptions are as follows:

| | |
|----------------------------------|---------------|
| (i) FFB price | RM490/MT |
| (ii) Upkeep and maintenance cost | RM3,000/HA |
| (iii) Discount rate | 9.0% to 9.75% |

Based on the sensitivity analysis, management believes that no reasonably possible change in base case key assumptions would cause the carrying value of the goodwill to exceed its recoverable amount.

21. Inventories

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cost | | | | |
| Refined products | 136,877 | 81,067 | - | - |
| Raw materials | 4,977 | 2,212 | 1,233 | 576 |
| Crude palm oil and palm kernel | 90,803 | 143,604 | 20,900 | 37,873 |
| Nursery inventories | 5,714 | 5,112 | 3,522 | 3,486 |
| Stores and spares | 33,470 | 33,599 | 20,805 | 19,814 |
| Consumables | 24,920 | 10,553 | - | - |
| Completed properties | 18,278 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 315,039 | 276,147 | 46,460 | 61,749 |
| Net realisable value | | | | |
| Refined products | 672 | 12,864 | 5,426 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 315,711 | 289,011 | 51,886 | 61,749 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

22. Trade and other receivables

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Current: | | | | |
| Trade receivables | | | | |
| Third parties | 176,130 | 273,462 | 11 | 11 |
| Amount due from a subsidiary | - | - | 34,872 | 70,718 |
| | 176,130 | 273,462 | 34,883 | 70,729 |
| Less: Allowance for impairment | (128) | - | - | - |
| | 176,002 | 273,462 | 34,883 | 70,729 |
| Other receivables | | | | |
| Other receivables | 77,004 | 47,999 | 9,697 | 8,453 |
| Amount due from an associate | 1,631 | 74 | 1,631 | - |
| Amount due from subsidiaries | - | - | 621,498 | 536,310 |
| Advance payment to suppliers | 14,910 | 10,390 | - | - |
| Refundable deposits | 3,768 | 9,771 | 3,131 | 3,661 |
| GST receivables | 74,238 | 55,236 | 12,051 | 6,997 |
| | 171,551 | 123,470 | 648,008 | 555,421 |
| Total trade and other receivables | 347,553 | 396,932 | 682,891 | 626,150 |
| Add: Cash and bank balances (Note 25) | 736,111 | 440,736 | 190,850 | 105,378 |
| Total loans and receivables | 1,083,664 | 837,668 | 873,741 | 731,528 |

a) Trade receivables

The Group and the Company trade receivables are non-interest bearing and are generally on 30 day (2015: 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's and of the Company's trade receivables is as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Neither past due nor impaired | 72,173 | 256,907 | 32,920 | 6,971 |
| 1 to 30 days past due not impaired | 101,021 | 8,037 | - | 19,569 |
| 31 to 60 days past due not impaired | 287 | 1,296 | 1,963 | 1,167 |
| 61 to 90 days past due not impaired | 668 | 2,354 | - | 1,443 |
| 91 to 120 days past due not impaired | 657 | 1,382 | - | 18,489 |
| More than 121 days past due not impaired | 1,196 | 3,486 | - | 23,090 |
| | 103,829 | 16,555 | 1,963 | 63,758 |
| Impaired | 128 | - | - | - |
| | 176,130 | 273,462 | 34,883 | 70,729 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

22. Trade and other receivables (Continued)

a) Trade receivables (Continued)

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM103,829,000 (2015: RM16,555,000) and RM1,963,000 (2015: RM63,758,000) respectively that are past due at the reporting date but not impaired.

Receivables that are impaired

Trade receivable that is impaired at the reporting date and the movement of the allowance accounts used to record the impairment is as follows:

| | 2016 RM'000 | 2015 RM'000 |
|---------------------------------|----------------|----------------|
| Total receivable | 128 | - |
| Less: Allowance for impairment | (128) | - |
| | - | - |
| Movement in allowance accounts: | | |
| At 1 January | - | - |
| Charge for the year (Note 9) | 128 | - |
| | 128 | - |
| At 31 December | 128 | - |

b) Amount due from subsidiaries

Amount due from subsidiaries, net of trade and other payables due to them, bears interest at COF + 1.1% (2015: COF + 1.1%) per annum.

The amounts due from subsidiaries are unsecured and are repayable on demand.

c) Amount due from an associate

The amount due from an associate is unsecured, non-interest bearing and is repayable upon demand.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

23. Other current assets

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Prepaid operating expenses | 2,814 | 3,335 | 505 | 692 |
| Progress billing in respect of property development cost | - | 3,080 | - | - |
| | <u>2,814</u> | <u>6,415</u> | <u>505</u> | <u>692</u> |

24. Derivatives

| | Contract Nominal Amount 2016 RM'000 | Assets 2016 RM'000 | Liabilities 2016 RM'000 | Contract Nominal Amount 2015 RM'000 | Assets 2015 RM'000 | Liabilities 2015 RM'000 |
|----------------------------|---|--------------------------|-------------------------------|---|--------------------------|-------------------------------|
| | Group | | | | | |
| Commodity forward contract | 29,897 | 6,306 | 23,054 | 202,217 | 222 | 6,709 |
| Commodity swaps | 22,192 | 413 | - | - | - | - |
| Interest rate swap | 17,926 | - | 61 | 23,101 | 33 | - |
| Forward currency contracts | 58,242 | - | 842 | 16,790 | 10,762 | 7,599 |
| Cash flow hedges | 25,000 | - | 135 | 23,889 | - | 152 |
| Total derivatives | | <u>6,719</u> | <u>24,092</u> | | <u>11,017</u> | <u>14,460</u> |
| Less: current portion | | (6,719) | (24,044) | | (11,017) | (14,370) |
| Non-current portion | | <u>-</u> | <u>48</u> | | <u>-</u> | <u>90</u> |
| Company | | | | | | |
| Commodity forward contract | - | - | - | 6,060 | - | 69 |
| Commodity swap | 13,332 | 218 | - | - | - | - |
| Total derivatives | | <u>218</u> | <u>-</u> | | <u>-</u> | <u>69</u> |

a) Derivatives not designated as hedging instruments

The Group uses forward commodity, currency contracts, commodity swap and interest rate swap to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD, EURO and RM for which firm commitments existed at the reporting date.

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate bank loan amounting to RM116,000,000 (Note 26). This interest rate swap pays fixed interest equal to 3.57% (2015: 3.57%), receives a floating rate of interest of COF + 0.75% (2015: COF + 0.75%) and has the same maturity terms as the bank loan.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

24. Derivatives (Continued)

b) Cash flow hedges

At 31 December 2016, the Group has one interest rate swap agreement outstanding with notional amount of RM18,333,333 (2015: RM23,888,889) whereby the Group pays fixed rate of interest of 3.68% (2015: 3.68%) per annum and receives variable rate equal to MYR-KLIBOR-BNM on the notional amount. The interest rate swap is being used to hedge the exposure to changes in the floating interest rate of its secured loans amounting to RM45,000,000 (2015: RM45,000,000). The management considers the interest rate swaps as effective hedging instruments as the secured loans and the swaps have identical critical terms.

A net unrealised loss of RM135,000 (2015: RM152,000) and a related deferred tax asset of RM32,000 (2015: RM36,000) was included in equity.

The amount retained in equity at 31 December 2016 is expected to mature and affect the income statement during the next 2 financial years as follows:

| | Group | |
|---|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Within one year | 87 | 62 |
| Later than 1 year but not later than 2 years | 48 | 58 |
| Later than 2 years but not later than 5 years | - | 32 |
| | 135 | 152 |

25. Cash and bank balances

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cash at banks and on hand | 382,960 | 116,850 | 102,613 | 14,911 |
| Short term deposits with licensed banks | 353,151 | 323,886 | 88,237 | 90,467 |
| Cash and bank balances | 736,111 | 440,736 | 190,850 | 105,378 |

The effective interest rates of deposits at the reporting date were as follows:

| | Group | | Company | |
|------------------------------|-------------|-------------|-------------|-------------|
| | 2016 % | 2015 % | 2016 % | 2015 % |
| Deposits with licensed banks | 3.05 - 3.71 | 3.05 - 4.00 | 2.95 - 3.50 | 3.15 - 3.75 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

25. Cash and bank balances (Continued)

The maturity of deposits as at the end of the financial year was as follows:

| | Group | | Company | |
|------------------------------|--------------|--------------|--------------|--------------|
| | 2016 Days | 2015 Days | 2016 Days | 2015 Days |
| Deposits with licensed banks | 30 - 90 | 30 - 90 | 30 - 90 | 30 - 90 |

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following at the reporting date:

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Cash and short term deposits | 736,111 | 440,736 | 190,850 | 105,378 |
| Less: Bank overdraft (Note 26) | - | (3,500) | - | - |
| | 736,111 | 437,236 | 190,850 | 105,378 |

26. Loans and borrowings

| | Maturity | Group | | Company | |
|---|-----------|----------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Current | | | | | |
| Secured: | | | | | |
| Bankers acceptances/short term loans | 2017 | 133,956 | 70,318 | - | - |
| Obligations under finance leases (Note 35(b)) | 2017 | 5,933 | 7,721 | 3,046 | 4,048 |
| Revolving credits | 2017 | 91,000 | 81,000 | - | - |
| Term loans | 2017 | 103,580 | 81,800 | - | - |
| | | 334,469 | 240,839 | 3,046 | 4,048 |
| Unsecured: | | | | | |
| Revolving credits | 2017 | 100,400 | 60,200 | 100,400 | 55,200 |
| Bank overdraft (Note 25) | On demand | - | 3,500 | - | - |
| Bankers acceptances/short term loans | 2017 | 368,362 | 248,548 | 55,899 | 15,127 |
| Trust receipts | 2017 | 87,846 | 123,891 | - | - |
| Term loans | 2017 | 19,500 | 22,417 | 19,500 | 19,500 |
| | | 576,108 | 458,556 | 175,799 | 89,827 |
| | | 910,577 | 699,395 | 178,845 | 93,875 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

26. Loans and borrowings

| | Maturity | Group | | Company | |
|---|-------------|----------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Non-current | | | | | |
| Secured: | | | | | |
| Obligations under finance leases (Note 35(b)) | | | | | |
| | 2018 - 2019 | 2,884 | 5,925 | 770 | 3,448 |
| Term loans | 2018 - 2022 | 204,208 | 276,980 | - | - |
| | | 207,092 | 282,905 | 770 | 3,448 |
| Unsecured: | | | | | |
| Revolving credits | | | | | |
| | 2017 | - | 22,300 | - | 22,300 |
| Term loans | 2018 - 2019 | 70,662 | 97,249 | 21,062 | 40,562 |
| | | 70,662 | 119,549 | 21,062 | 62,862 |
| | | 277,754 | 402,454 | 21,832 | 66,310 |
| Total loans and borrowings | | 1,188,331 | 1,101,849 | 200,677 | 160,185 |

The remaining maturities of the loans and borrowings as at 31 December are as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| On demand or within one year | 910,577 | 699,395 | 178,845 | 93,875 |
| Later than 1 year but not later than 2 years | 139,540 | 141,659 | 17,231 | 44,727 |
| Later than 2 years but not later than 5 years | 134,607 | 235,433 | 4,601 | 21,583 |
| Later than 5 years | 3,607 | 25,362 | - | - |
| | 1,188,331 | 1,101,849 | 200,677 | 160,185 |

Bankers acceptances/short term loans

Bankers acceptances/short term loans are secured by a debenture incorporating floating charge over all present and future assets of a subsidiary.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14).

Revolving credits

Revolving credits are secured by charges over certain leasehold land of the Group and negative pledge over existing and future assets of the Company.

Trust receipts

Trust receipts of the subsidiaries are guaranteed by the Company.

Term loans

The term loans are secured by charges over certain leasehold land of the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

26. Loans and borrowings (Continued)

The ranges of interest rates during the financial year for loans and borrowings are as follows:

| | Group | |
|--------------------------------------|-------------|-------------|
| | 2016 % | 2015 % |
| Bankers acceptances/short term loans | 3.52 - 4.41 | 3.69 - 3.86 |
| Bank overdraft | N/A | 4.40 |
| Obligations under finance leases | 5.22 - 5.33 | 5.00 - 5.33 |
| Term loans | | |
| - Floating rates | 4.33 - 4.90 | 4.26 - 5.10 |
| Trust receipts | 1.28 - 1.67 | 2.17 |
| Revolving credits | 4.41 - 5.15 | 4.54 - 5.50 |

27. Trade and other payables

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Trade payables | | | | |
| Third parties | 228,377 | 189,017 | 32,337 | 28,022 |
| Amount due to subsidiaries | - | - | 59,546 | 39,392 |
| | 228,377 | 189,017 | 91,883 | 67,414 |
| Other payables | | | | |
| Retention sums payable to contractors | 1,178 | 2,591 | 1,178 | 2,591 |
| Deposits received | 706 | 997 | 84 | 23 |
| Other payable and accrued operating expenses | 541,210 | 81,906 | 35,134 | 29,777 |
| Amount due to an associate | 45 | - | 45 | - |
| Amount due to subsidiaries | - | - | 1,059 | - |
| | 543,139 | 85,494 | 37,500 | 32,391 |
| Total trade and other payables | 771,516 | 274,511 | 129,383 | 99,805 |
| Add: Loans and borrowings (Note 26) | 1,188,331 | 1,101,849 | 200,677 | 160,185 |
| Total financial liabilities carried at amortised cost | 1,959,847 | 1,376,360 | 330,060 | 259,990 |

a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 day (2015: 30 to 60 day) terms.

b) Amounts due to subsidiaries and an associate

These amounts are unsecured, non-interest bearing and are repayable on demand.

c) Other payable and accrued operating expenses

Included in other payable and accrued operating expenses is an amount of RM464,437,000 owed by a subsidiary for the acquisition of oil palm plantation business. This amount is due to a company in which certain Directors of the Company have substantial financial interests and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

28. Government grant

| | 2016 RM'000 | 2015 RM'000 |
|---|----------------|----------------|
| At 1 January | 12,565 | - |
| Received and receivable during the year | 1,875 | 12,565 |
| At 31 December | 14,440 | 12,565 |
| Current | 782 | 391 |
| Non-current | 13,658 | 12,174 |

A government grant of RM15,630,000 has been approved to partly finance the construction of an phytonutrient plant. RM14,439,847 (2015: RM12,654,884) was received or receivable in 2016. The project is expected to be completed in 2017. There are no unfulfilled conditions or contingencies attached to this grants.

29. Land premium payable

| | 2016 RM'000 | 2015 RM'000 |
|---|----------------|----------------|
| Portion payable within 1 year | 8,412 | - |
| Portion payable after 1 year but not later than 5 years | 25,118 | - |
| Total outstanding | 33,530 | - |
| Less: Finance charges | (5,786) | - |
| Present value of land premium payable | 27,744 | - |
| Present value of land premium payable: | | |
| Not later than 1 year | 6,965 | - |
| Later than 1 year but not later than 5 years | 20,779 | - |
| | 27,744 | - |

The land premium bears interest at 8.00% per annum

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

30. Deferred tax

| Group | As at 1 January 2015 RM'000 | Recognised in profit or loss RM'000 | | Recognised in other compre- hensive income RM'000 | | As at 31 December 2015 RM'000 | Recognised in profit or loss RM'000 | Exchange differences RM'000 | Recognised in other compre- hensive income RM'000 | Acquisition of oil palm plantation business RM'000 | As at 31 December 2016 RM'000 |
|--|--------------------------------------|--|--|--|----------|--|--|-----------------------------------|--|--|--|
| | | in profit or loss RM'000 | in other compre- hensive income RM'000 | | | | | | | | |
| Deferred tax liabilities: | | | | | | | | | | | |
| Property, plant and equipment and Plantation Development Expenditure | 275,332 | (3,251) | - | 272,081 | 4,855 | - | - | 204,641 | - | 481,577 | |
| Deferred tax assets: | | | | | | | | | | | |
| Unutilised tax losses | (62,860) | (8,995) | - | (71,855) | (2,840) | - | - | - | - | (74,695) | |
| Unabsorbed capital allowance and agriculture allowance | (130,883) | (5,561) | - | (136,444) | 5,324 | 21 | - | - | - | (131,099) | |
| Fair value adjustment on cash flow hedge | (53) | - | 17 | (36) | - | - | 4 | - | - | (32) | |
| Others | (5,454) | 2,176 | - | (3,278) | (10,983) | - | - | - | - | (14,261) | |
| | (199,250) | (12,380) | 17 | (211,613) | (8,499) | 21 | 4 | - | 4 | (220,087) | |
| | 76,082 | (15,631) | 17 | 60,468 | (3,644) | 21 | 4 | 204,641 | 4 | 261,490 | |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

31. Share capital and share premium (Continued)

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|------------------------------|--|--------------|----------------|----------------|
| | 2016 '000 | 2015 '000 | 2016 RM'000 | 2015 RM'000 |
| Authorised share capital | | | | |
| At 1 January and 31 December | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

32. Employee share option reserve

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| At 1 January | 6,191 | 5,206 | 6,191 | 5,206 |
| Share options granted under ESOS | | | | |
| Recognised in profit or loss | 2,567 | 2,253 | 1,360 | 1,297 |
| Charged to subsidiaries | - | - | 1,207 | 956 |
| Transfer to Share Premium arising from exercise of share options | (1,063) | (1,268) | (1,063) | (1,268) |
| At 31 December | 7,695 | 6,191 | 7,695 | 6,191 |

The employee share option reserve represents the value of equity-settled share options granted to employees.

33. Other reserves

| | Hedge Reserve RM'000 | Foreign Currency Translation Reserve RM'000 | Total RM'000 |
|--|----------------------------|---|-----------------|
| Group | | | |
| At 1 January 2015 | (160) | 30 | (130) |
| Other comprehensive income: | | | |
| Exchange differences on translation of the financial statements of foreign entities | - | 1,699 | 1,699 |
| Fair value adjustment on cash flow hedge | 44 | - | 44 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

33. Other reserves (Continued)

| | Hedge Reserve RM'000 | Foreign Currency Translation Reserve RM'000 | Total RM'000 |
|---|----------------------------|---|-----------------|
| At 31 December 2015 and 1 January 2016 | (116) | 1,729 | 1,613 |
| Other comprehensive income: | | | |
| Exchange differences on translation of the financial statements of foreign entities | - | 328 | 328 |
| Fair value adjustment on cash flow hedge | 13 | - | 13 |
| At 31 December 2016 | (103) | 2,057 | 1,954 |

Hedge reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

34. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 under the single tier system.

35. Commitments

a) Capital commitments

Capital expenditure as at the reporting date is as follows:

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Capital expenditure: | | | | |
| Approved and contracted for: | | | | |
| Property, plant and equipment | 10,188 | 30,516 | 1,545 | 6,643 |
| Approved but not contracted for: | | | | |
| Plantation development expenditure | 5,436 | 11,977 | 1,853 | 1,171 |
| Property, plant and equipment | 45,833 | 110,186 | 25,526 | 64,645 |
| | 51,269 | 122,163 | 27,379 | 65,816 |
| | 61,457 | 152,679 | 28,924 | 72,459 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

35. Commitments (Continued)

b) Finance lease commitments

The Group has finance leases for certain items of plant and machinery and motor vehicles (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Minimum lease payments | | | | |
| Not later than 1 year | 6,233 | 8,227 | 3,159 | 4,335 |
| Later than 1 year but not later than 2 years | 2,215 | 5,075 | 664 | 3,022 |
| Later than 2 years but not later than 5 years | 768 | 1,037 | 125 | 529 |
| Total minimum lease payments | 9,216 | 14,339 | 3,948 | 7,886 |
| Less: Amounts representing finance charges | (399) | (693) | (132) | (390) |
| Present value of minimum lease payments | 8,817 | 13,646 | 3,816 | 7,496 |
| Present value of payments: | | | | |
| Not later than 1 year | 5,933 | 7,721 | 3,046 | 4,048 |
| Later than 1 year but not later than 2 years | 2,131 | 4,903 | 648 | 2,927 |
| Later than 2 years but not later than 5 years | 753 | 1,022 | 122 | 521 |
| Present value of minimum lease payments | 8,817 | 13,646 | 3,816 | 7,496 |
| Less: Amount due within 12 months (Note 26) | (5,933) | (7,721) | (3,046) | (4,048) |
| Amount due after 12 months (Note 26) | 2,884 | 5,925 | 770 | 3,448 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

36. Related party transactions

Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place at terms agreed between the parties during the financial year:

| | Company | |
|---|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Significant transactions with subsidiaries | | |
| Purchase of fresh fruit bunches | 399,462 | 323,483 |
| Purchase of goods | 5,919 | 16,137 |
| Sale of seedlings and consumables | (872) | (7) |
| Sale of goods and services | (981,303) | (821,558) |
| Sale of property, plant and equipment | (662) | (1,136) |
| Purchase of property, plant and equipment | 512 | 50 |
| Interest expenses recharged | (19,016) | (20,810) |
| Management fees | (200) | (200) |
| Other income | (12,215) | (8,716) |
| Other services | (156) | 1,852 |
| Rental charges | 103 | 128 |

Transactions with companies owned substantially by Directors Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Purchase of spare parts and consumables | 21,546 | 20,353 | 5,693 | 3,104 |
| Purchase of crude palm oil and palm kernel | 192,207 | 135,874 | - | - |
| Purchase of fresh fruit bunches | 67,850 | 41,895 | 67,850 | 41,895 |
| Sales of goods and services | (1,541) | - | - | - |
| Transportation charges | 4,853 | 5,695 | - | - |
| Sale of property, plant and equipment | - | - | (456) | - |
| Other income | - | - | (28) | - |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

37. Employee benefits

Employee Share Options Scheme ("ESOS")

The Sarawak Oil Palms Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws which was approved by the shareholders at an Extraordinary General Meeting held on 15 February 2007 and was implemented on 12 March 2007. It is to be in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

- (i) The Option Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.
- (ii) Subject to the discretion of the Option Committee, any employee who has been employed for at least one year and whose employment has been confirmed is eligible to participate in the ESOS. Directors of the Group are not eligible to participate in the Proposed ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 6.32% of the issued and paid up share capital of the Company during the tenure of the ESOS. The aggregate allocation of options to the senior management of the Group shall not exceed 50% of the total number of shares to be issued under the ESOS. In addition, not more than 10% of the shares available under the ESOS are to be allocated to any eligible employee who, either singly or collectively through persons connected to the eligible employee, holds 20% or more in the issued and paid up share capital of the Company.
- (iv) The option price for each share shall be the higher of (a) at a discount of not more than 10% from the 5-day weighted average market price of the shares of the Company as shown in the daily official list issued by Bursa Securities immediately preceding the date on which the option is granted or (b) the par value of the shares of the Company.
- (v) The options shall be exercisable only by the employee during his lifetime and in employment of the Group and within the option period, subject to a maximum percentage of options exercisable in each year over a period up to 10 years.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the then existing ordinary shares of the Company except that the shares so issued shall not be entitled for any dividends, rights, allotments or other distributions to shareholders the entitlement date of which is prior to the date of allotment of the shares.
- (vii) The options shall not carry any right to vote at a general meeting of the Company.
- (viii) Fair value of share options granted during the year

The fair value of share options granted during the year was estimated by an external valuer using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at granted date and the assumptions are as follows:

| | 2016 | 2015 |
|--|-------|-------|
| Fair value of share options at the following grant dates (RM): | | |
| 12 March 2016 | 4.11 | - |
| 12 March 2015 | - | 4.96 |
| Weighted average share price (RM) | 4.77 | 4.95 |
| Weighted average exercise price (RM) | 4.34 | 3.43 |
| Expected volatility (%) | 32.12 | 24.03 |
| Expected life (years) | 5 | 5 |
| Risk free rate (%) | 3.25 | 3.35 |
| Expected dividend yield (%) | 0 | 0 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

37. Employee benefits

Employee Share Options Scheme (“ESOS”) (Continued)

The expected life of the options is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

| | Outstanding 1 January '000 | Granted '000 | Movements during the year | | | Outstanding 31 December '000 | Exercisable 31 December '000 |
|--------------|----------------------------------|-----------------|---------------------------|--|-----------------|------------------------------------|------------------------------------|
| | | | Exercised '000 | Forfeited and other adjustment '000 | Expired '000 | | |
| 2016 | | | | | | | |
| 2016 options | - | 328 | - | (24) | - | 304 | 304 |
| 2015 options | 621 | - | - | (46) | - | 575 | 575 |
| 2014 options | 628 | - | - | (50) | - | 578 | 578 |
| 2013 options | 471 | - | - | (53) | - | 418 | 418 |
| 2012 options | 708 | - | - | (9) | - | 699 | 699 |
| 2011 options | 185 | - | (63) | 44 | - | 166 | 166 |
| 2010 options | 591 | - | (251) | 21 | - | 361 | 361 |
| 2009 options | 124 | - | (114) | 44 | - | 54 | 54 |
| 2008 options | 10 | - | (65) | 66 | - | 11 | 11 |
| 2007 options | 2,036 | - | (1,635) | (135) | - | 266 | 266 |
| WAEP | 3.43 | 4.11 | 1.49 | 3.95 | - | 4.34 | 4.34 |
| 2015 | | | | | | | |
| 2015 options | - | 637 | - | (16) | - | 621 | 289 |
| 2014 options | 666 | - | - | (38) | - | 628 | 394 |
| 2013 options | 539 | - | - | (68) | - | 471 | 318 |
| 2012 options | 794 | - | (5) | (81) | - | 708 | 548 |
| 2011 options | 301 | - | (51) | (65) | - | 185 | 140 |
| 2010 options | 808 | - | (141) | (76) | - | 591 | 355 |
| 2009 options | 244 | - | (77) | (43) | - | 124 | 155 |
| 2008 options | 50 | - | (40) | - | - | 10 | 196 |
| 2007 options | 3,611 | - | (1,494) | (81) | - | 2,036 | 1,468 |
| WAEP | 2.63 | 4.96 | 1.44 | 3.44 | - | 3.43 | 3.10 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

37. Employee benefits (Continued)

(i) Details of share options outstanding at the end of the year:

| Grant date | WAEP RM | Exercised Period |
|------------|------------|-----------------------|
| 2016 | 4.34 | 12.3.2016 - 11.3.2017 |
| 2015 | 3.43 | 12.3.2015 - 11.3.2017 |
| 2014 | 2.63 | 12.3.2014 - 11.3.2017 |
| 2013 | 2.41 | 12.3.2013 - 11.3.2017 |
| 2012 | 2.12 | 11.3.2012 - 11.3.2017 |
| 2011 | 1.65 | 12.3.2011 - 11.3.2017 |
| 2010 | 1.56 | 9.6.2010 - 11.3.2017 |
| 2009 | 1.41 | 12.3.2009 - 11.3.2017 |
| 2008 | 1.37 | 12.3.2008 - 11.3.2017 |
| 2007 | 2.91 | 12.3.2007 - 11.3.2017 |

(ii) Share options exercised during the year

Option exercised during the financial year resulted in the issuance of 2,127,220 (2015: 1,808,350) ordinary shares at an average price of RM1.49 (2015: RM1.44) each. The related weighted average share price at the date of exercise was 4.77 (2015: 4.95).

38. Fair value of financial instruments

(a) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Company which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

| | Carrying amount | | Fair value | |
|---------------------------------------|-----------------|----------------|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Financial liabilities: | | | | |
| Group | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Obligations under finance leases | 2,884 | 5,925 | 2,880 | 5,869 |
| <hr/> | | | | |
| Company | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Obligations under finance leases | 770 | 3,448 | 770 | 3,415 |
| <hr/> | | | | |

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

38. Fair value of financial instruments (Continued)

(a) Fair values of financial instruments not carried at fair value

Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

(b) Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

| | Note |
|-----------------------------|-------------|
| Trade and other receivables | 22 |
| Trade and other payables | 27 |
| Loan and borrowings | 26 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

39. Fair value measurement

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

39. Fair value measurement (Continued)

Fair value hierarchy (Continued)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December are as follows:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Group | | | | |
| 31 December 2016 | | | | |
| Assets for | | | | |
| Derivatives | | | | |
| - Commodity swaps | - | 413 | - | 413 |
| - Commodity forward contracts | - | 6,306 | - | 6,306 |
| Liabilities for | | | | |
| Interest-bearing loans and Borrowings | | | | |
| - Interest rate swap | - | 61 | - | 61 |
| - Obligations under finance leases | - | 2,880 | - | 2,880 |
| - Forward currency contracts - US dollar | - | 842 | - | 842 |
| - Cash flow hedges | - | 183 | - | 135 |
| - Commodity forward contracts | - | 23,054 | - | 23,054 |
| <hr/> | | | | |
| 31 December 2015 | | | | |
| Assets for | | | | |
| Derivatives | | | | |
| - Interest rate swap | - | 33 | - | 33 |
| - Forward currency contracts - US dollar | - | 10,762 | - | 10,762 |
| - Commodity forward contracts | - | 222 | - | 222 |
| Liabilities for | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Obligations under finance leases | - | 5,869 | - | 5,869 |
| - Forward currency contracts - US dollar | - | 7,599 | - | 7,599 |
| - Cash flow hedges | - | 242 | - | 242 |
| - Commodity forward contracts | - | 6,709 | - | 6,709 |
| <hr/> | | | | |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

39. Fair value measurement (Continued)

Fair value hierarchy (Continued)

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Company | | | | |
| 31 December 2016 | | | | |
| Assets for | | | | |
| Commodity forward contracts | - | 218 | - | 218 |
| Liabilities for | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Obligations under finance leases | - | 770 | - | 770 |
| 31 December 2015 | | | | |
| Liabilities for | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Obligations under finance leases | - | 3,415 | - | 3,415 |
| Commodity forward contracts | - | 69 | - | 69 |

There have been no transfers between Level 1 and Level 2 during the financial year.

40. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall financial risk management strategy seeks to minimise potential adverse effects of financial performance of the Group. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk.

Financial risk management policies are periodically reviewed and approved by the Board of Directors and executed by risk management committees. The Group Risk Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers are subject to credit verification procedures. Receivables are monitored on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

40. Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 22.

Corporate financial guarantees

The Company provides corporate financial guarantees to financial institutions on subsidiaries' bank loans at a total nominal amount of RM730,950,000 (2015: RM682,750,000).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and cash equivalents, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

| Group | On demand or within 1 year RM'000 | Between 1 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|-----------------------------------|---------------------------|-----------------|
| At 31 December 2016 | | | | |
| Financial liabilities: | | | | |
| Derivatives | 24,044 | 48 | - | 24,092 |
| Land premium payable | 8,412 | 25,118 | - | 33,530 |
| Trade and other payables, excluding financial guarantees | 771,516 | - | - | 771,516 |
| Loans and borrowings | 926,628 | 294,148 | 3,763 | 1,224,539 |
| Total undiscounted financial liabilities | 1,730,600 | 319,314 | 3,763 | 2,053,677 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

40. Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

| Group (Continued) | On demand or within 1 year RM'000 | Between 1 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|-----------------------------------|---------------------------|-----------------|
| At 31 December 2015 | | | | |
| Financial liabilities: | | | | |
| Derivatives | 14,370 | 90 | - | 14,460 |
| Trade and other payables, excluding financial guarantees | 274,511 | - | - | 274,511 |
| Loans and borrowings | 715,666 | 410,238 | 25,622 | 1,151,526 |
| Total undiscounted financial liabilities | 1,004,547 | 410,328 | 25,622 | 1,440,497 |

| Company | On demand or within 1 year RM'000 | Between 1 to 5 years RM'000 | Total RM'000 |
|--|---|-----------------------------------|-----------------|
| At 31 December 2016 | | | |
| Financial liabilities: | | | |
| Trade and other payables, excluding financial guarantees | 129,383 | - | 129,383 |
| Loans and borrowings | 180,898 | 22,438 | 203,336 |
| Total undiscounted financial liabilities | 310,281 | 22,438 | 332,719 |

| | | | |
|--|---------|--------|---------|
| At 31 December 2015 | | | |
| Financial liabilities: | | | |
| Derivative | 69 | - | 69 |
| Trade and other payables, excluding financial guarantees | 99,805 | - | 99,805 |
| Loans and borrowings | 98,352 | 69,107 | 167,459 |
| Total undiscounted financial liabilities | 198,226 | 69,107 | 267,333 |

* At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as no default has occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to market risk for changes in interest rates arise primarily from their long term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

40. Financial risk management objectives and policies (Continued)

(c) Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM896,000 (2015: RM729,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the functional currency of the Group (RM). The foreign currency in which these transactions are denominated is primarily United States Dollars (USD).

The Group manages its foreign currency risk by hedging transactions using forward currency contracts.

Sensitivity analysis for foreign currency risk

The sensitivity of the Group's profit net of tax to a reasonable possible change in the USD exchange rates against the functional currency of the Group and of the Company, with all other variables held constant:

| | Group | | Company | |
|---------------------------|--------------------------|---------------|--------------------------|---------------|
| | Profit net of tax | | Profit net of tax | |
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| USD/RM - strengthen by 5% | 7,362 | 982 | 22 | 112 |
| USD /RM - weaken by 5% | (7,362) | (982) | (22) | (112) |

(e) Commodity price risk

The prices of crude palm oil are subject to fluctuations due to global demand. The value of the Group's open sales and purchases commitments and inventory changes accordingly to the movements in the commodity price. The Group minimises risks arising from such fluctuations by hedging its sales either through direct purchases of a similar commodity or through futures contracts on the commodity exchanges.

At the reporting date, a 5% (2015: 5%) increase/decrease of the commodity price indices, with all other variables held constant, would have increased/decrease profit before tax by RM14,501,000 (2015: RM10,784,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

41. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

| | Note | Group | | Company | |
|----------------------|------|----------------|----------------|----------------|----------------|
| | | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Loans and borrowings | 26 | 1,188,331 | 1,101,849 | 200,677 | 160,185 |
| Total equity | | 1,972,645 | 1,499,868 | 1,900,584 | 1,433,180 |
| Gearing ratio | | 60.24% | 73.46% | 10.56% | 11.18% |

42. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- I. Oil palm
- II. Property development

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs recognised in profit or loss) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

42. Segment information (Continued)

| | Oil Palm | | Property development | | Adjustments and eliminations | | Per consolidated financial statements | |
|---------------------------------------|-----------|-----------|----------------------|--------|------------------------------|-------------|---------------------------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM |
| Revenue: | | | | | | | | |
| External customers | 4,407,805 | 3,661,087 | 8,317 | 9,700 | - | - | 4,416,122 | 3,670,787 |
| Inter-segment | 2,308,656 | 2,170,065 | - | - | (2,308,656) | (2,170,065) | - | - |
| Total revenue | 6,716,461 | 5,831,152 | 8,317 | 9,700 | (2,308,656) | (2,170,065) | 4,416,122 | 3,670,787 |
| Results: | | | | | | | | |
| Interest income | 33,608 | 34,084 | 88 | 51 | (20,063) | (20,866) | 13,633 | 13,269 |
| Dividend income | 56,505 | - | - | - | (56,505) | - | - | - |
| Depreciation and amortisation | 104,764 | 104,929 | 384 | 310 | 1,835 | 2,881 | 106,983 | 108,120 |
| Share of results of associates | - | - | - | - | 3,075 | 528 | 3,075 | 528 |
| Fair value loss/(gain) on derivatives | 13,947 | (6,582) | - | - | - | - | 13,947 | (6,582) |
| Other non-cash expenses | 4,905 | 2,591 | 20 | 6 | - | - | 4,925 | 2,597 |
| Segment profit/(loss) | 272,195 | 146,826 | 2,069 | (167) | (78,304) | (22,897) | 195,960 | 123,762 |
| Assets: | | | | | | | | |
| Investment in associates | 1,031 | 9,854 | - | 50 | 864 | 177 | 1,895 | 10,081 |
| Additions to non-current assets | 1,169,088 | 118,431 | 333 | 484 | (23) | (281) | 1,169,398 | 118,634 |
| Segment assets | 5,155,559 | 3,725,544 | 84,432 | 69,720 | (906,689) | (764,851) | 4,333,302 | 3,030,413 |
| Segment liabilities | 2,972,443 | 2,253,898 | 79,512 | 69,721 | (691,298) | (793,074) | 2,360,657 | 1,530,545 |

A

B

C

D

E

F

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

42. Segment information (Continued)

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

| | Note | 2016 RM'000 | 2015 RM'000 |
|--|------|----------------|----------------|
| Share options granted under ESOS | 10 | 2,567 | 2,253 |
| Property, plant and equipment written off | 9 | 502 | 344 |
| Plantation development expenditure written off | 9 | 1,728 | - |
| Impairment loss on receivables | 9 | 128 | - |
| | | 4,925 | 2,597 |

C The following items are added to/(deducted from) segment (loss)/profit to arrive at “(Loss)/Profit before tax from continuing operations” presented in the consolidated statement of profit or loss:

| | 2016 RM'000 | 2015 RM'000 |
|--|----------------|----------------|
| Dividend from subsidiaries and associate | (56,505) | (24,700) |
| (Loss)/Profit from inter-segment sales | (22,138) | 3,354 |
| Finance costs | (2,379) | 281 |
| Share of results of an associate | 3,075 | 528 |
| Unallocated corporate expenses | (357) | (2,360) |
| | (78,304) | (22,897) |

D Additions to non-current assets consist of:

| | | |
|------------------------------------|-----------|---------|
| Property, plant and equipment | 495,144 | 107,359 |
| Plantation development expenditure | 511,111 | 10,907 |
| Land use rights | 202 | 368 |
| Intangible assets | 162,941 | - |
| | 1,169,398 | 118,634 |

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2016 RM'000 | 2015 RM'000 |
|----------------------------|----------------|----------------|
| Investment in an associate | 864 | 177 |
| Inter-segment assets | (907,553) | (765,028) |
| | (906,689) | (764,851) |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

42. Segment information (Continued)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2016 RM'000 | 2015 RM'000 |
|---------------------------|----------------|----------------|
| Deferred tax liabilities | 94,785 | 29,613 |
| Inter-segment liabilities | (786,083) | (822,687) |
| | (691,298) | (793,074) |

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Revenue | | Non-current assets | |
|-----------|----------------|----------------|--------------------|----------------|
| | 2016 RM'000 | 2015 RM'000 | 2016 RM'000 | 2015 RM'000 |
| Malaysia | 2,681,185 | 1,993,270 | 2,633,710 | 1,737,508 |
| Singapore | 1,734,937 | 1,677,517 | 14,456 | 442 |
| | 4,416,122 | 3,670,787 | 2,648,166 | 1,737,950 |

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

| | 2016 RM'000 | 2015 RM'000 |
|-------------------------------------|----------------|----------------|
| Property, plant and equipment | 1,585,207 | 1,170,276 |
| Plantation development expenditure | 1,037,688 | 556,008 |
| Land use rights | 5,009 | 4,902 |
| Land held for property, development | 20,262 | 6,764 |
| Deferred tax assets | 67,226 | 64,307 |
| Investment in an associate | 1,895 | 10,081 |
| Intangible assets | 168,123 | 5,182 |
| | 2,885,410 | 1,817,520 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

43. Dividends

| | Group/Company | |
|---|----------------|----------------|
| | 2016 RM'000 | 2015 RM'000 |
| Recognised during the financial year: | | |
| Dividends on ordinary shares: | | |
| Final dividend for 2015: | | |
| 5 Sen (2014: 5 Sen) per share | 22,090 | 21,997 |
| <hr/> | | |
| Proposed but not recognised as a liability as at 31 December: | | |
| Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting: | | |
| Final dividend for 2016: | | |
| 5 Sen (2015: 5 Sen) per share | 28,506 | 22,065 |
| <hr/> | | |

44. Contingent liabilities

Details of contingent liabilities are as follows:

- (a) A subsidiary of the Group is currently one of the defendants in a lawsuit brought by a party claiming a declaration that the plaintiffs have acquired and created Native Customary Rights ("NCR") over a parcel of land of 5,765 hectares currently occupied by the subsidiary as the registered owner.

The High Court made a judgement on 8 August 2014 that the plaintiffs have NCR over 815.9924 hectares only. The plaintiffs appealed against the Judgement of the High Court and similarly the subsidiary had filed a cross-appeal against the same judgement.

The Court of Appeal upheld the decision by the High Court. The plaintiffs have appealed to the Federal Court on 20 April 2016.

The Directors believe that the subsidiary has valid defences against the allegation and, accordingly, no provision has been made for any claim arising from the litigation.

- (b) A notice of claim was received by a subsidiary of the Group during the financial year pertaining to delivery of cargo. No legal proceeding has been brought against that subsidiary to date. The subsidiary is unable to estimate the financial impact arising from the claim at the end of the reporting period. As such, no provision for any liability has been made in the financial statements.

45. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 25 April 2017.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016 (CONT'D)

46. Supplementary information - breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Recognised during the financial year: | | | | |
| Total retained earnings of the Group and the Company: | | | | |
| - Realised | 1,326,272 | 1,003,202 | 1,112,336 | 1,002,664 |
| - Unrealised | (278,198) | (65,253) | (36,402) | (33,706) |
| Retained earnings as per financial statements | 1,048,074 | 937,949 | 1,075,934 | 968,958 |

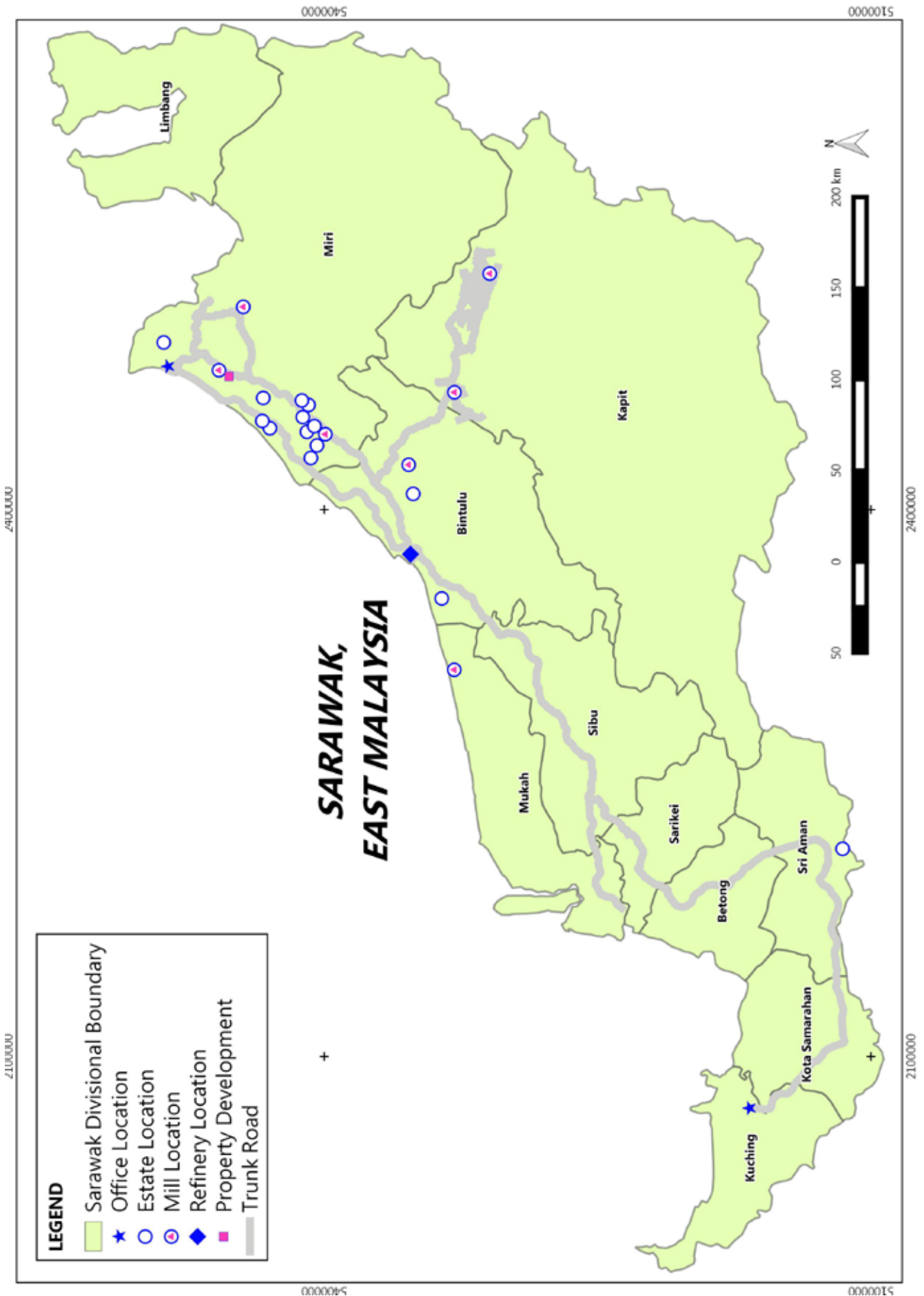
PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2016

| Location of Property Sarawak | Year of Acquired/ Revaluation | Tenure | Year of Expiry | Size Hectares | Description Net | Book Value As at 31 Dec 2016 (RM'000) | Age of Building (Years) |
|------------------------------|-------------------------------|--------------------------|----------------|---------------|---|---------------------------------------|-------------------------|
| 1 Kebuloh Estate | 1971-1972 | Leasehold 87 to 97 years | 2067 | 1,841 | Oil Palm Estate & Oil Palm Mill | 315,469 | 2 to 36 |
| 2 Luak Estate | 1977-1980 | Leasehold 87 to 97 years | 2067 | 2,785 | Oil Palm Estate | | |
| 3 Telabit Estate | 1989 | Leasehold 99 years | 2085 | 2,762 | Oil Palm Estate | | |
| 4 Pinang Estate | 1981 | Leasehold 99 years | 2090 | 1,296 | Oil Palm Estate | | |
| 5 Galasah Estate | 1989 | Leasehold 99 years | 2084 | 1,907 | Oil Palm Estate & Oil Palm Mill | | |
| 6 Balingian Estate 1 | 1997 | Leasehold 60 years | 2057 | 1,679 | Oil Palm Estate & Oil Palm Mill | 42,771 | 2 to 18 |
| Balingian Estate 2 | 1999 | Leasehold 60 years | 2059 | 2,298 | Oil Palm Estate | | |
| 7 Sengah/Tibus Estate, | 2003-2004 | Leasehold 60 years | 2063-2064 | 1,499 | Oil Palm Estate | 67,186 | 2 to 19 |
| 8 Lamaus Estate | 2003-2004 | Leasehold 60 years | 2063-2064 | 3,287 | Land under Oil Palm Development | | |
| 9 Suai Estate | 2004 | Leasehold 60 years | 2064 | 3,337 | Land under Oil Palm Development | | |
| 10 Niah Estate | 1999 | Leasehold 60 years | 2059 | 5,000 | Oil Palm Estate | 53,735 | 2 to 16 |
| 11 Taniku Estate | 2003 | Leasehold 60 years | 2058 | 4,858 | Oil Palm Estate | 117,234 | 2 to 20 |
| 12 Sepakau Estate, Belaga | 2003 | Leasehold 60 years | 2059 | 9,030 | Land Under Oil Palm Development & Oil Palm Mill | | |
| 13 Karabungan Estate | 2005 | Leasehold 60 years | 2058 | 2,023 | Oil Palm Estate | 30,060 | 2 to 11 |
| 14 Tatau Estate | 2008 | Leasehold 99 years | 2103 | 3,840 | Oil Palm Estate | 192,516 | 2 to 9 |
| 15 Sebungan Estate | 2006 | Leasehold 99 years | 2103 | 1,646 | Oil Palm Estate | | |
| 16 Lavang Estate | 2006 | Leasehold 99 years | 2104 | 4,878 | Oil Palm Estate & Oil Palm Mill | | |
| 17 Tinbarap Estate | 2007 | Leasehold 99 years | 2105 | 12,910 | Oil Palm Estate & Oil Palm Mill | 191,275 | 2 to 9 |
| 18 Batu Lintang, Sri Aman | 2008 | NCR Native Land 60 years | NA | 2,326 | Land Under Oil Palm Development | 52,739 | 2 to 9 |
| 19 Sabaju Estate | 2010 | Leasehold 99 years | 2114 | 4,011 | Land Under Oil Palm Development | 76,030 | 2 to 6 |
| 20 POIC, Bintulu | 2012 | Leasehold 60 years | 2074 | 41 | Palm Oil Refinery, Fractionation, Palm Kernel Crushing Plant Biodiesel Plant & Consumer packaging plant & other amenities | 316,053 | 2 to 5 |
| 21 Land- Kuching/Miri | 2007-2012 | Leasehold 60 to 99 years | 2038 -2067 | 43 | Future Development Land, On-going Commercial and Residential Development | 21,214 | - |

PROPERTIES OF THE GROUP (CONT'D)
AS AT 31 DECEMBER 2016

| Location of Property Sarawak | Year of Acquired/ Revaluation | Tenure | Year of Expiry | Size Hectares | Description Net | Book Value As at 31 Dec 2016 (RM'000) | Age of Building (Years) |
|---|-------------------------------|--------------------|----------------|---------------|--|---------------------------------------|-------------------------|
| 22 Penyuan 1 Estate | 2016 | Leasehold 60 years | 2076 | 2457 | Oil Palm Estate | | |
| 23 Penyuan 2 Estate | 2016 | Leasehold 60 years | 2076 | 3093 | Oil Palm Estate | | |
| 24 Penyuan 3 Estate | 2016 | Leasehold 60 years | 2076 | 2291 | Oil Palm Estate | | |
| 25 Sehat Estate | 2016 | Leasehold 60 years | 2076 | 2216 | Oil Palm Estate | | |
| 26 Seping 1 Estate | 2016 | Leasehold 60 years | 2076 | 1518 | Oil Palm Estate | | |
| 27 Seping 2 Estate | 2016 | Leasehold 60 years | 2076 | 1310 | Oil Palm Estate | | |
| 28 Metanik 1 Estate | 2016 | Leasehold 60 years | 2076 | 2778 | Oil Palm Estate | 657,637 | 1 to 15 |
| 29 Metanik 2 Estate | 2016 | Leasehold 60 years | 2076 | 2519 | Oil Palm Estate& Oil Palm Mill | | |
| 30 Menawan 1 Estate | 2016 | Leasehold 60 years | 2076 | 2197 | Oil Palm Estate | | |
| 31 Menawan 2 Estate | 2016 | Leasehold 60 years | 2076 | 2663 | Oil Palm Estate | | |
| 32 Maleh Estate | 2016 | Leasehold 60 years | 2076 | 756 | Oil Palm Estate | | |
| 33 Block 89 Murum Land District Block 90 Murum Land District | 2016 | Leasehold 60 years | 2076 | 23202 | Land under Oil Palm development, Unplanted reserves, etc | | |



ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

SHARE CAPITAL

| | | |
|-----------------------|---|--|
| Authorised | : | 5,000,000,000 Ordinary Shares of RM1.00 each |
| Issued and Fully Paid | : | 570,790,446 |
| Voting Rights | : | One Vote Per Share |

DISTRIBUTION OF SHAREHOLDERS

| Size of Holdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Capital |
|--|---------------------|-------------------|--------------------|---------------------|
| Less than 100 | 148 | 3.37 | 1,768 | 0.00 |
| 100 – 1,000 | 905 | 20.59 | 505,357 | 0.09 |
| 1,001 – 10,000 | 2380 | 54.15 | 9,696,031 | 1.70 |
| 10,001 – 100,000 | 809 | 18.41 | 23,626,690 | 4.14 |
| 100,001 to less than 5% of issued shares | 148 | 3.37 | 160,200,458 | 28.07 |
| 5% and above of issued shares | 5 | 0.11 | 376,760,142 | 66.01 |
| TOTAL | 4,395 | 100.00 | 570,790,446 | 100.00 |

SUBSTANTIAL SHAREHOLDERS

| | No. of Shares Held | % of Issued Capital |
|--|--------------------|---------------------|
| 1. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD | 162,787,900 | 28.52 |
| 2. PELITA HOLDINGS SDN BHD | 115,626,600 | 20.26 |
| 3. CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB) | 53,376,642 | 9.35 |
| 4. STATE FINANCIAL SECRETARY SARAWAK | 44,969,000 | 7.88 |

DIRECTORS' INTERESTS IN SHARES

| Size of Holdings | Direct Interest | | Deemed Interest | |
|------------------------------|-----------------|---------------------|-----------------|---------------------|
| | No. of Shares | % of Issued Capital | No. of Shares | % of Issued Capital |
| In the company | | | | |
| Tan Sri Datuk Ling Chiong Ho | 27,547,600 | 4.83 | 12,500,000 | 2.19 |
| Ling Chiong Sing | - | - | - | - |
| Ling Lu Kuang | - | - | - | - |
| Tang Tiong Ing | 55,131 | 0.01 | - | - |
| Hasbi Bin Suhaili | - | - | - | - |
| Gerald Rentap Jabu | 1,285 | Negligible | - | - |
| Fong Yoo Kaw @ Fong Yee Kow | - | - | - | - |
| Dr. Lai Yew Hock, Dominic | - | - | 50,657 | 0.01 |
| Kamri Bin Ramlee | - | - | - | - |
| Chua Chen San | - | - | - | - |

THIRTY LARGEST SHAREHOLDERS

AS AT 31 MARCH 2017

| | NAME | No. of Shares | Shares % |
|----|---|---------------|----------|
| 1 | PELITA HOLDINGS SDN BHD | 115,626,600 | 20.26 |
| 2 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD | 103,064,478 | 18.06 |
| 3 | SHIN YANG PLANTATION SDN BHD | 59,723,422 | 10.46 |
| 4 | CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB) | 53,376,642 | 9.35 |
| 5 | STATE FINANCIAL SECRETARY SARAWAK | 44,969,000 | 7.88 |
| 6 | LING CHIONG HO | 27,547,600 | 4.83 |
| 7 | UOBM NOMINEES (ASING) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR PERRA GROUP LIMITED | 18,057,085 | 3.16 |
| 8 | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (A/C CLIENTS-FGN) | 12,572,228 | 2.20 |
| 9 | AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR LING CHIONG HO | 12,500,000 | 2.19 |
| 10 | DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED | 9,351,300 | 1.64 |
| 11 | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WONG ING YUNG (PB) | 3,968,100 | 0.70 |
| 12 | AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND | 3,900,100 | 0.68 |
| 13 | KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEKAN MEGAH SDN BHD | 3,857,142 | 0.68 |
| 14 | PEKAN MEGAH SDN BHD | 3,620,034 | 0.63 |
| 15 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM) | 3,222,700 | 0.56 |
| 16 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (I-VCAP) | 2,805,000 | 0.49 |
| 17 | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON (6000006) | 2,699,600 | 0.47 |
| 18 | RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIONG HOLDINGS SDN BHD | 2,546,000 | 0.45 |
| 19 | UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS) | 2,405,836 | 0.42 |
| 20 | CIMB COMMERCE TRUSTEE BERHAD PUBLIC FOCUS SELECT FUND | 2,404,414 | 0.42 |
| 21 | WONG HEE KWONG | 2,345,600 | 0.41 |
| 22 | AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND | 2,313,257 | 0.41 |
| 23 | AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND | 1,880,900 | 0.33 |
| 24 | CITIGROUP NOMINEES (ASING) SDN BHD CEP FOR PHEIM SICAV-SIF | 1,823,700 | 0.32 |
| 25 | NEOH CHOO EE & COMPANY SDN BERHAD | 1,417,800 | 0.25 |
| 26 | ADINAMAJU SDN BHD | 1,307,420 | 0.23 |
| 27 | MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR RHB CAPITAL FUND (200189) | 1,157,142 | 0.20 |
| 28 | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ERIC KIU KWONG SENG | 1,141,457 | 0.20 |
| 29 | CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS) | 1,133,485 | 0.20 |
| 30 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD KENANGA ISLAMIC INVESTORS BHD FOR LEMBAGA TABUNG HAJI | 976,400 | 0.17 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 49th Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 20 June 2017 at 10.00 am for the following purposes:-

AGENDA

- 1 To receive and adopt the annual accounts for the year ended 31st December 2016 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
- 2 To declare a Final Dividend in respect of the financial year ended 31st December 2016 as recommended by the Directors. **(Resolution 2)**
- 3 To approve payment of Directors' fees in respect of the financial year ended 31st December 2016. **(Resolution 3)**
- 4 To re-elect the following Directors who retire pursuant to Article 95 and 101 of the Company's Articles of Association and being eligible, offer themselves for re-election.
 - (a) Tan Sri Datuk Ling Chiong Ho **(Resolution 4)**
 - (b) Ling Lu Kuang **(Resolution 5)**
 - (c) Hasbi bin Suhaili **(Resolution 6)**
 - (d) Chua Chen San **(Resolution 7)**
- 5 To appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the Board of Directors to fix their remuneration. **(Resolution 8)**
- 6 **As Special Businesses**
To consider and, if thought fit, to pass the following ordinary resolutions:-
 - (i) Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

 "THAT approval be and is hereby given to Directors who has served as an Independent Non-Executive Director of the Company for a cumulative form of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company."

 (a) Dr. Lai Yew Hock, Dominic **(Resolution 9)**
 - (ii) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature **(Resolution 10)**

 "THAT, subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into Recurrent Related Party Transactions of a revenue or trading nature with those Related Parties as stated in Section 2.2 of the Circular to Shareholders dated 17 May 2017 which are necessary for its day-to-day operations subject further to the following: -
 - a) That the transactions are in the ordinary course of business and are made on an arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those available to the public and not to the detriment of the minority shareholders; and
 - b) That disclosure will be made in the annual report of the Company of the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year based on information such as the type of the Recurrent Transactions made and the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the company.
 - c) That such approval shall continue to be in force until:-
 - (i) the conclusion of the next Annual General Meeting ("AGM") of the Company;
 - (ii) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to section 340(2) of the Companies Act, 2016 ("Acts") but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or
 - (iii) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier;
- 7 To transact any other business for which due notice shall be given.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final single tier dividend of 5% for the financial year ended 31 December 2016 will be payable on 21 July 2017 to Depositors registered in the Records of Depositors at the close of business on 30 June 2017.

Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares deposited into Depositor's Securities Account before 12:30pm on 28 June 2017. (In respect of shares which are exempted from mandatory deposit)
- (b) Shares transferred into the Depositor's Securities Account before 4:00pm on 30 June 2017 in respect of transfers; and
- (c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Eric Kiu Kwong Seng

Secretary

Miri

28 April 2017

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. The Form of Proxy must be deposited to either of the following offices not less than forty-eight (48) hours before the time appointed for holding the meeting:
 - (i) The Office of the Share Registrars, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia.
 - (ii) The Registered office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. Explanatory notes on Special Business:

Ordinary Resolution No. 6(i): Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

 - (a) Dr. Lai Yew Hock, Dominic

The Nomination Committee has assessed the independence of Dr. Lai Yew Hock, Dominic who has served as an Independent Non-Executive Director of the Company for a term of seventeen years and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:

 - (a) He fulfils the criteria stated under the definition of Independent Director as defined in the Listing Requirements of Bursa Malaysia Securities Berhad and he is able to provide proper checks and balance thus bring an element of objectivity to the Board of Directors.
 - (b) He has always actively participated in Board and Board Committees discussions and has continuously provided an independent view to the Board.
 - (c) He has the caliber, qualifications, experience and personal qualities to consistently challenge management in an effective and constructive manner.
 - (d) Profile of the Director appears on page 10 of the Annual Report.

Ordinary Resolution No. 6(ii): Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature:

If passed, will authorize the Company and/or its subsidiary companies to enter into Recurrent Related Party Transactions of revenue or trading nature. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 17 May 2017 for more information.

6. Depositors who appear in the Record of Depositors as at 13 June 2017 shall be regarded as member of the Company entitled to attend the Forty-Ninth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

STATEMENT ACCOMPANYING NOTICE OF THE FORTY-NINTH ANNUAL GENERAL MEETING OF SARAWAK OIL PALMS BERHAD

1. Directors who are standing for Re-election

- | | |
|----------------------------------|----------------|
| (a) Tan Sri Datuk Ling Chiong Ho | (Resolution 4) |
| (b) Ling Lu Kuang | (Resolution 5) |
| (c) Hasbi bin Suhaili | (Resolution 6) |
| (d) Chua Chen San | (Resolution 7) |

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 8 to 11 of this Annual Report.

2. Directors who are seeking for continuation of office as Independent Non-Executive Director

- | | |
|-------------------------------|----------------|
| (a) Dr. Lai Yew Hock, Dominic | (Resolution 9) |
|-------------------------------|----------------|

Profile of the Director appears on page 10 of this Annual Report.

3. Details of Attendance of Directors of Board Meetings

| Name of Directors | Date of Appointment | Board Attendance |
|-------------------------------------|--|------------------|
| Tan Sri Datuk Ling Chiong Ho | 16/06/1995 | 5/5 |
| Ling Chiong Sing | 01/12/2006 | 5/5 |
| Ling Lu Kuang | 27/06/2008 | 4/5 |
| Tang Tiong Ing | 16/06/1995 | 4/5 |
| Hasbi Bin Suhaili | 26/08/2005 | 5/5 |
| Gerald Rentap Jabu | 24/05/2000 (Resigned on 14 February 2017) | 3/5 |
| Dr Lai Yew Hock, Dominic | 24/02/2000 | 4/5 |
| Wong Ngie Yong | 15/06/2001 (Resigned on 29 February 2016) | 1/5 |
| Kamri Bin Ramlee | 01/04/2011 | 5/5 |
| Fong Yoo Kaw @ Fong Yee Kow, Victor | 28/04/2014 | 5/5 |
| Chua Chen San | 01/03/2016 | 4/5 |

Number of meetings attended (first figure) number of meetings held while in office (second figure)

4. Details of the Board of Directors' Meeting held

Five Board Meetings were held during the year.

| Board Meeting | Time | Place |
|------------------|-----------|--|
| 26 February 2016 | 10.00 a.m | Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak |
| 27 April 2016 | 2.00 p.m | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak |
| 04 July 2016 | 09.00 a.m | Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak |
| 29 August 2016 | 10.00 a.m | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak |
| 30 November 2016 | 10.00 a.m | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak |

5. Details of persons who are standing for election as Directors

No individual is seeking election as Director at the Forty-Ninth Annual General Meeting of the Company.

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Form of Proxy

SARAWAK OIL PALMS BERHAD

(Company No.7949-M)
(Incorporated in Malaysia)

| No of ordinary shares held | CDS Account No. |
|----------------------------|-----------------|
| | |

I/We _____ NRIC/Company No _____

of _____

being a member/members of the above Company, hereby appoint *Chairman of the meeting or

| Name of Proxy | NRIC/Passport No. | Proportion of Shareholdings (%) |
|------------------------|-------------------|---------------------------------|
| | | |
| and/or failing him/her | | |
| | | |

as *my/our proxy to vote for* me/us and on* my/our behalf at the Forty-Ninth Annual General Meeting of the Company to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 20 June 2017 at 10.00 am and, at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Annual General Meeting as indicated with an "X" in the appropriate spaces.

| NO. | RESOLUTIONS | FOR | AGAINST |
|---------------------------|--|-----|---------|
| 1 | Adoption of Accounts and Reports of Directors and Auditors | | |
| 2 | Declaration of Final Dividend | | |
| 3 | Approval of Directors' fees | | |
| 4 | Re-election of retiring director: Tan Sri Datuk Ling Chiong Ho | | |
| 5 | Re-election of retiring director: Ling Lu Kuang | | |
| 6 | Re-election of retiring director: Hasbi bin Suhaili | | |
| 7 | Re-election of retiring director: Chua Chen San | | |
| 8 | Appointment of Auditors | | |
| SPECIAL BUSINESSES | | | |
| 9 | Continuation of terms in office of Dr. Lai Yew Hock, Dominic as Independent Non-Executive Director | | |
| 10 | Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue of trading nature | | |

(Please indicate with an "X" in the space provided above on how you wish your proxy to vote. If no instruction is given this form will be taken to authorise the proxy to vote at his/her discretion)

Dated thisday of 2017

.....
Signature and/or Common Seal of Shareholders

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
2. Where a member appoints more than one (1) proxy, the proportion of his shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Pursuant to paragraph 7.22 of the Listing Requirements of the Bursa Malaysia Berhad, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy or proxies shall be in writing (in the common and usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an office or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at either of the following offices not less than forty-eight (48) hours before the time appointed for the holding of the meeting:
 - a) The Office at the Share Registrars, Symphony Share Registrars Sdn. Bhd. At Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46 47301 Petaling Jaya, Selangor.
 - b) The Registered Office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. Depositors who appear in the Record of Depositors as at 13 June 2017 shall be regarded as member of the Company entitled to attend the Forty-Ninth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

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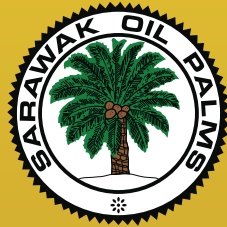
The Company Secretary
SARAWAK OIL PALMS BERHAD (7949-M)
No. 124-126, Jalan Bendahara
98000 Miri
Sarawak

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OUR
VISION

“TO BECOME
A **DIVERSIFIED**
CORPORATION
WITH **REGIONAL**
RECOGNITION”



SARAWAK OIL PALMS BERHAD (7949-M)

NO. 124-126, JALAN BENDAHARA

98000 MIRI, SARAWAK