



**SARAWAK OIL PALMS BERHAD (7949-M)**  
**ANNUAL REPORT 2018**

**BUILDING A  
SUSTAINABLE  
FUTURE**





PLANTATION



MILLING



DOWNSTREAM



PROPERTY



## Our vision

To become a diversified corporation with global 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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## TEN YEARS FINANCIAL RECORD

| RESULT                   | 2009 <sup>2</sup><br>RM'000 | 2010 <sup>2</sup><br>RM'000 | 2011 <sup>2</sup><br>RM'000 | 2012 <sup>2</sup><br>RM'000 | 2013 <sup>2</sup><br>RM'000 | 2014 <sup>2</sup><br>RM'000 | 2015 <sup>2</sup><br>RM'000 | 2016 <sup>2</sup><br>RM'000 | 2017 <sup>1</sup><br>RM'000 | 2018<br>RM'000 |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------|
| Turnover                 | 533,304                     | 728,158                     | 1,166,949                   | 1,314,943                   | 1,711,402                   | 2,874,718                   | 3,670,787                   | 4,416,122                   | 4,913,351                   | 3,603,898      |
| Profit before taxation   | 134,659                     | 222,135                     | 361,984                     | 213,935                     | 139,631                     | 160,136                     | 123,762                     | 195,960                     | 351,458                     | 108,997        |
| Profit after taxation    | 106,537                     | 164,282                     | 266,202                     | 163,602                     | 100,636                     | 123,399                     | 91,903                      | 142,288                     | 252,290                     | 67,907         |
| Total shareholders' fund | 828,777                     | 974,156                     | 1,217,615                   | 1,363,961                   | 1,231,619                   | 1,330,724                   | 1,403,784                   | 1,874,679                   | 2,108,168                   | 2,142,636      |
| Total assets             | 1,413,328                   | 1,664,661                   | 2,049,715                   | 2,480,635                   | 2,467,148                   | 2,719,927                   | 3,030,413                   | 4,332,737                   | 4,289,652                   | 4,126,013      |
| Total borrowings         | 275,659                     | 305,447                     | 418,783                     | 644,554                     | 825,636                     | 931,424                     | 1,101,849                   | 1,188,332                   | 1,412,881                   | 1,271,854      |
| Issued & paid-up capital | 428,526                     | 431,086                     | 434,477                     | 436,548                     | 438,253                     | 439,498                     | 441,307                     | 570,111                     | 819,860                     | 820,085        |
| Dividend (Net of tax)    | 9,630                       | 9,659                       | 13,005                      | 16,360                      | 19,693                      | 21,963                      | 21,997                      | 22,090                      | 28,540                      | 34,252         |

### FINANCIAL STATISTICS

|   |      |      |      |      |      |      |      |      |      |      |
|---|------|------|------|------|------|------|------|------|------|------|
| Profit before taxation / turnover (%)           | 25.2 | 30.5 | 31.0 | 16.3 | 8.2  | 5.6  | 3.4  | 4.4  | 7.2  | 3.0  |
| Gross dividend (sen / share)                    | 3.0  | 4.0  | 5.0  | 6.0  | 6.0  | 5.0  | 5.0  | 5.0  | 5.0  | 6.0  |
| Net earnings per share (sen) - Basic            | 23.3 | 35.3 | 55.9 | 36.0 | 21.0 | 26.3 | 20.1 | 28.1 | 40.8 | 10.9 |
| Net earnings per share (sen) - Diluted          | 22.9 | 34.6 | 54.7 | 35.5 | 20.7 | 26.0 | 20.0 | 28.0 | 40.8 | 10.9 |
| Net tangible assets per share of RM 1 each (RM) | 1.93 | 2.26 | 2.80 | 3.12 | 2.80 | 3.03 | 3.17 | 3.29 | 3.40 | 3.46 |

|                       | 2015<br>RM / Mt | 2016<br>RM / Mt | 2017<br>RM / Mt | 2018<br>RM / Mt |
|-----------------------|-----------------|-----------------|-----------------|-----------------|
| Refined palm products | 2,126           | 2,693           | 2,913           | 2,316           |
| Crude palm oil        | 2,207           | 2,665           | 2,939           | 2,287           |
| Palm kernel oil       | 3,322           | 4,986           | 5,072           | 3,686           |
| Palm kernel cake      | 331             | 387             | 408             | 475             |
| Palm kernel           | 1,473           | 2,372           | 2,332           | 1,657           |

#### Notes:

<sup>1</sup> Restated following the first-time adoption of the Malaysian Financial Reporting Standards ("MFRS") framework.

<sup>2</sup> The comparatives have not been restated for the first-time adoption of MFRS framework and reclassifications made in 2018.

## Planted Hectareage, Production and Yield

|  | 2009<br>Ha    | 2010<br>Ha    | 2011<br>Ha    | 2012<br>Ha    | 2013<br>Ha    | 2014<br>Ha    | 2015<br>Ha    | 2016<br>Ha    | 2017<br>Ha    | 2018<br>Ha    |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>OIL PALMS</b>   |               |               |               |               |               |               |               |               |               |               |
| Mature   | 31,766        | 33,877        | 43,339        | 45,107        | 55,426        | 59,997        | 61,049        | 77,115        | 78,607        | 80,772        |
| Immature   | 22,486        | 25,063        | 19,416        | 18,154        | 8,104         | 3,380         | 2,468         | 10,629        | 9,380         | 7,614         |
| Total  | 54,252        | 58,940        | 62,755        | 63,261        | 63,530        | 63,377        | 63,517        | 87,744        | 87,986        | 88,386        |
| Area Under Development,<br>Reserves, Unplanted,<br>Building Sites, etc | 18,401        | 13,713        | 9,898         | 9,392         | 9,123         | 9,276         | 9,136         | 32,553        | 32,311        | 33,575        |
| Total Area Under<br>Lease  | 72,653        | 72,653        | 72,653        | 72,653        | 72,653        | 72,653        | 72,653        | 120,297       | 120,297       | 121,961       |
|  | <b>Tonnes</b> | <b>Tonnes</b> | <b>Tonnes</b> | <b>Tonnes</b> | <b>Tonnes</b> | <b>Tonnes</b> | <b>Tonnes</b> | <b>Tonnes</b> | <b>Tonnes</b> | <b>Tonnes</b> |
| <b>FFB CROP</b>  |               |               |               |               |               |               |               |               |               |               |
| Estate Crop  | 649,855       | 673,260       | 839,785       | 887,425       | 959,499       | 1,049,076     | 1,133,961     | 1,010,836     | 1,374,712     | 1,340,474     |
| Outside Crop   | 395,963       | 462,949       | 665,514       | 798,106       | 853,066       | 770,991       | 692,580       | 603,405       | 669,525       | 756,692       |
|  | 1,045,818     | 1,136,209     | 1,505,299     | 1,685,531     | 1,812,565     | 1,820,067     | 1,826,541     | 1,614,241     | 2,044,237     | 2,097,166     |
| Crude Palm Oil<br>(Produced)   | 225,056       | 238,204       | 310,760       | 347,548       | 364,600       | 367,015       | 355,468       | 315,221       | 411,930       | 419,356       |
| Palm Kernels<br>(Produced)   | 45,562        | 49,182        | 63,834        | 73,871        | 78,712        | 79,606        | 76,406        | 66,288        | 84,490        | 87,492        |
|  | 270,618       | 287,386       | 374,594       | 421,419       | 443,312       | 446,621       | 431,874       | 381,509       | 496,420       | 506,848       |
| <b>YIELD PER HECTARE</b>   |               |               |               |               |               |               |               |               |               |               |
| Tonnes FFB/<br>Mature palms  | 21.25         | 19.87         | 21.25         | 18.21         | 17.09         | 17.50         | 18.55         | 16.79         | 17.07         | 16.40         |
| Crude Palm Oil/FFB   | 21.57%        | 21.23%        | 21.57%        | 20.67%        | 20.14%        | 20.26%        | 19.88%        | 19.97%        | 20.65%        | 20.53%        |
| Palm Kernels/FFB   | 4.37%         | 4.38%         | 4.37%         | 4.39%         | 4.35%         | 4.39%         | 4.27%         | 4.20%         | 4.23%         | 4.28%         |

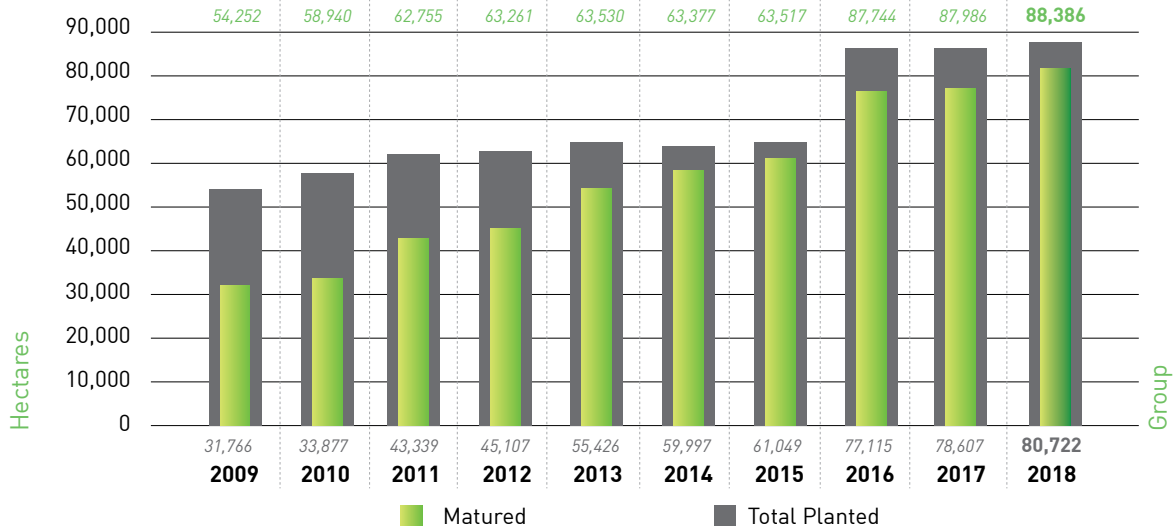
## TEN YEARS CROP RECORD (CONT'D)

### PLANTED AREA STATISTICS

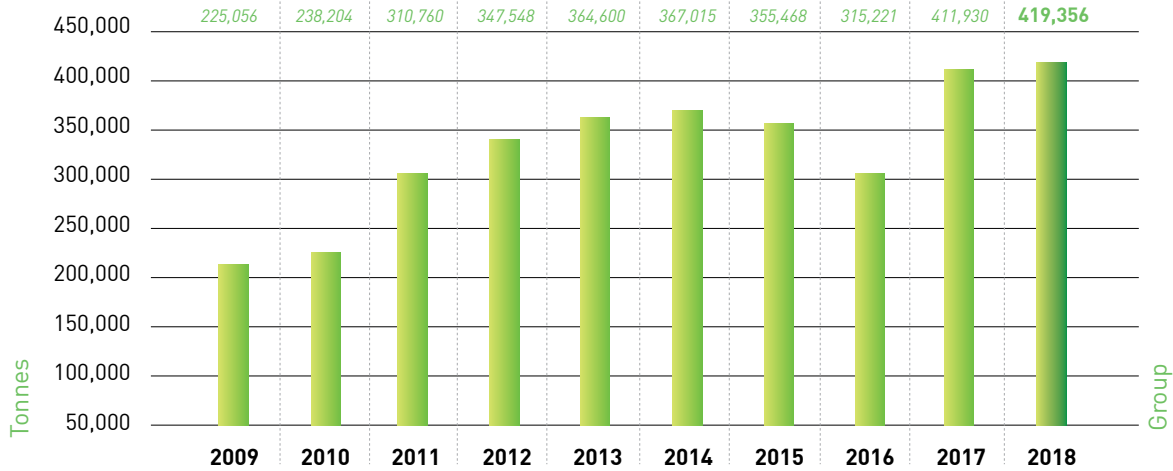
| Palm Age (Yrs)         | As at<br>31/12/2018<br>Area (HA) | As at<br>31/12/2017<br>Area (HA) |
|------------------------|----------------------------------|----------------------------------|
| Immature (Below 4 yrs) | 7,614                            | 9,380                            |
| Young (4-10 yrs)       | 38,288                           | 43,812                           |
| Prime (11-20 yrs)      | 40,757                           | 32,026                           |
| Old (21 yrs & above)   | 1,727                            | 2,770                            |

| FFB Production and Extraction Rates            | 2018      | 2017      |
|--|-----------|-----------|
| Group FFB production (mt)                      | 1,340,474 | 1,374,712 |
| Total FFB processed (mt)                       | 2,042,320 | 1,995,193 |
| Group CPO Production (mt)                      | 419,356   | 411,930   |
| Group Palm Kernel Production (mt)              | 87,492    | 84,490    |
| Group FFB average yield (mt/ha)                | 16.40     | 17.07     |
| Group average oil extraction rate (OER) (%)    | 20.53%    | 20.65%    |
| Group average kernel extraction rate (KER) (%) | 4.28%     | 4.23%     |

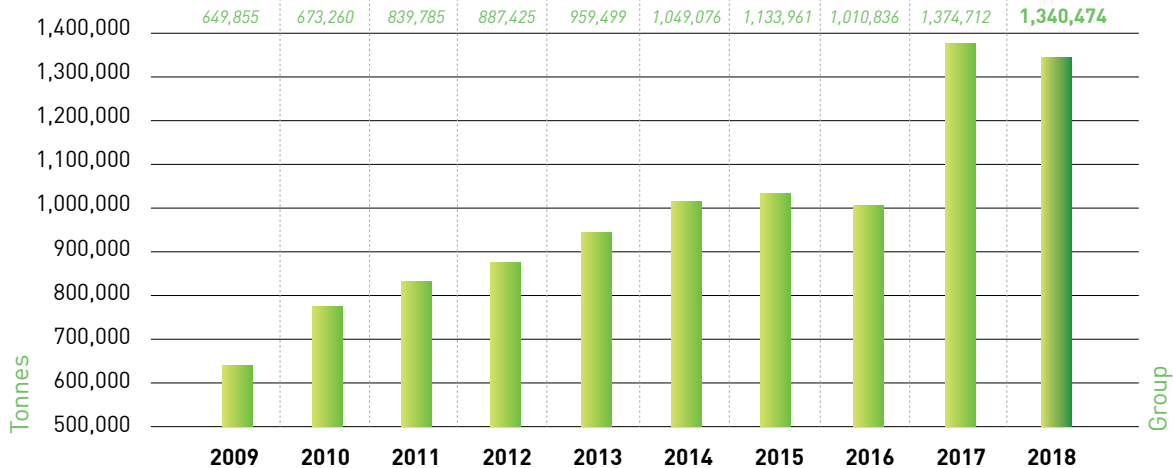
## Area Planted



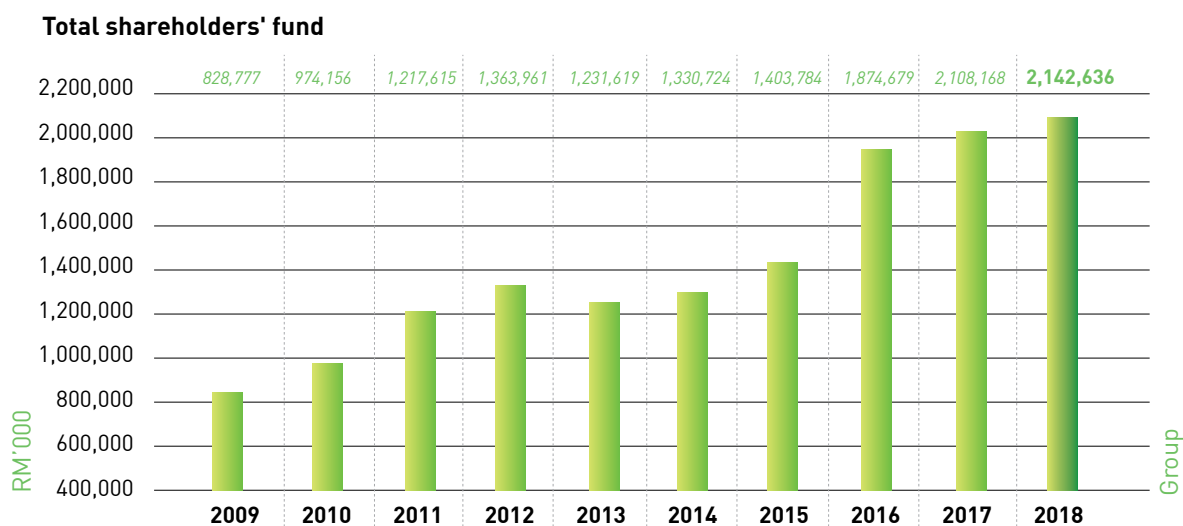
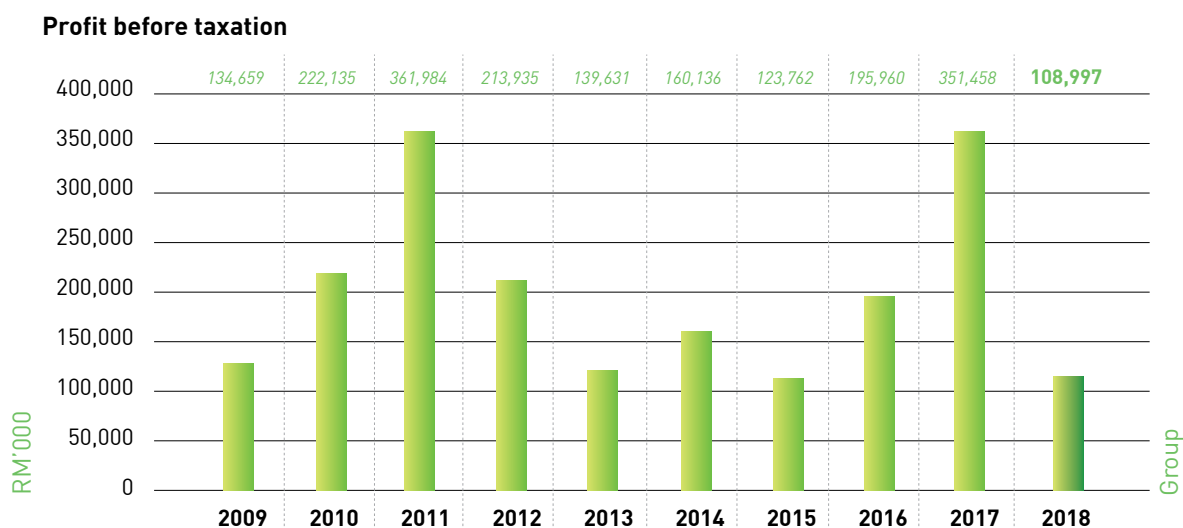
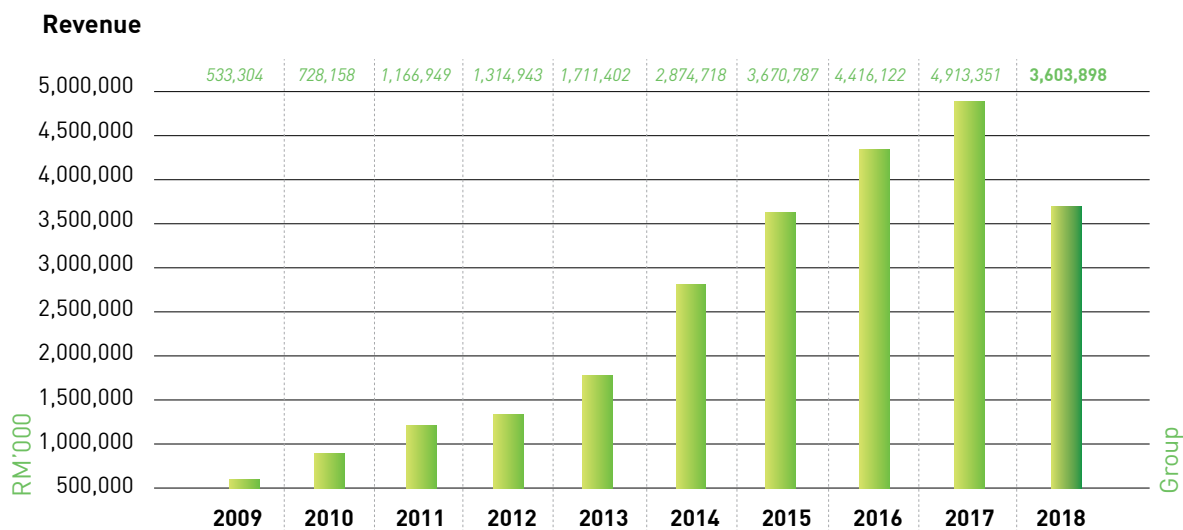
## Crude Palm Oil (Produced)



## Estate Crop



## TEN YEARS STATISTICAL HIGHLIGHTS (CONT'D)





**BOARD OF DIRECTORS**

Tan Sri Datuk Ling Chiong Ho  
(Group Executive Chairman)

Ling Chiong Sing

Ling Lu Kuang

Tang Tiong Ing

Hasbi Bin Suhaili  
(Resigned on 8 May 2018)

Dr. Lai Yew Hock, Dominic

Kamri Bin Ramlee

Fong Yoo Kaw @ Fong Yee Kow, Victor

Chua Chen San

Dato Sri Haji Ahmad Tarmizi  
Bin Haji Sulaiman

Hasmawati Binti Sapawi  
(Alternate Director to Dato Sri Haji  
Ahmad Tarmizi Bin Haji Sulaiman)

Monaliza Binti Zaidel  
(Appointed on 26 July 2018)

**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  
Independent Non-Executive

**INVESTMENT COMMITTEE**

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

Dr. Lai Yew Hock, Dominic  
Independent Non-Executive

Monaliza Binti Zaidel  
(Appointed on 26 July 2018)  
Non-Independent Non-Executive

Wong Hee Kwong  
Group Chief Executive Officer

**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

**ESOS COMMITTEE**

Tan Sri Datuk Ling Chiong Ho  
Chairman  
Group Executive Chairman

Chua Chen San  
Independent Non-Executive

Dr. Lai Yew Hock, Dominic  
Independent Non-Executive

Hasbi Bin Suhaili  
(Resigned on 8 May 2018)  
Non Independent Non-Executive

Wong Hee Kwong  
Group Chief Executive Officer

**REMUNERATION COMMITTEE**

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

Dr. Lai Yew Hock, Dominic  
Independent Non-Executive

Hasbi Bin Suhaili  
(Resigned on 8 May 2018)  
Non-Independent Non-Executive

Monaliza Binti Zaidel  
(Appointed on 26 July 2018)  
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**

Boardroom Share Registrars Sdn. Bhd.  
(Formerly known as Symphony Share  
Registrars Sdn Bhd)  
Level 6, Symphony House,  
Pusat Dagangan Dana 1, Jalan PJU 1A/46,  
47301 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia  
Tel : (603) 7849 0777  
Fax : (603) 7841 8151/8152

**AUDITORS**

Ernst & Young  
4<sup>th</sup> Floor, Unit 4.1,  
Lot 698, Wisma Yong Lung,  
Pelita Commercial Centre,  
98000, Miri 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

## BOARD OF DIRECTORS



### Seated

1. Ling Chiong Sing
2. Dato Sri Haji Ahmad Tarmizi Bin Haji Sulaiman
3. Tan Sri Datuk Ling Chiong Ho (Group Executive Chairman)
4. Fong Yoo Kaw @ Fong Yee Kow, Victor
5. Kamri Bin Ramlee

### Not pictured

1. Monaliza Binti Zaidel
2. Hasmawati Binti Sapawi  
(Alternate Director to Dato Sri Haji Ahmad Tarmizi Bin Haji Sulaiman)

### Standing

6. Chua Chen San
7. Dr. Lai Yew Hock, Dominic
8. Tang Tiong Ing
9. Ling Lu Kuang
10. Wong Hee Kwong (Group CEO)
11. Eric Kiu Kwong Seng (Company Secretary)



### TAN SRI DATUK LING CHIONG HO

A Malaysian citizen, aged 67, 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, ESOS and MRGF Committees. 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 six Board Meetings held during the financial year ended 31 December 2018. 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.

### LING CHIONG SING

A Malaysian citizen, aged 62, was appointed as Non-Independent Non-Executive Director on 1 December 2006. He is also a member of MRGF Committee.

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 six Board Meetings held during the financial year ended 31 December 2018. 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.

### LING LU KUANG

A Malaysian citizen, aged 42, 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 Non-Executive Director of some companies of Shin Yang Group which involved in domestic shipping, hotel and Holding company.

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 all six Board Meetings held during the financial year ended 31 December 2018. 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.

## BOARD OF DIRECTORS (CONT'D)

### TANG TIONG ING

A Malaysian citizen, aged 60, has been a Non-Independent Non-Executive Director since 16 June 1995. He serves as a member of the Group 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 diversified Shin Yang 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 five out of the six Board Meetings held during the financial year ended 31 December 2018. 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 SUHALI (Resigned on 8 May 2018)

A Malaysian citizen, aged 55, was appointed as a Non-Independent Non-Executive Director on 26 August 2005. He also serves as a member of Remuneration, ESOS and MRGF Committees. He holds a Bachelor of Accountancy and also an Executive Master in Business Administration from MARA University of Technology, Malaysia. He is a member of the Malaysian Institute of Accountants (MIA) and ASEAN Chartered Professional Accountant (ASEAN CPA). He has also passed his examination as certified Enterprise Risk Manager. He is currently the Deputy Chief Executive Officer (Support Services) 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 one out of two Board Meetings held during the financial year ended 31 December 2018. 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 8 May 2018.

### CHUA CHEN SAN

A Malaysian citizen, aged 58, was appointed as an Independent Non-Executive Director on 1 March 2016. He serves as a member of the Group Audit and Risk Management and ESOS Committees. 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 Australia and New Zealand.

He was a Senior Accountant in Koller & Koller Accountants, New Zealand from 1968 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 all six Board Meetings held during the financial year ended 31 December 2018. 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.

### DR. LAI YEW HOCK, DOMINIC

A Malaysian citizen, aged 60, was appointed as an Independent Non-Executive Director on 24 February 2000. He serves as a member of the Group Audit and Risk Management, Nomination, Remuneration, Investment and ESOS 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 all six Board Meetings held during the financial year ended 31 December 2018. 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 Malaysia citizen, aged 59, 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 six Board Meetings held during the financial year ended 31 December 2018. 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.

### FONG YOO KAW @ FONG YEE KOW, VICTOR

A Malaysian citizen, aged 66, was appointed as an Independent Non-Executive Director on 28 April 2014.

He serves as a Chairman of the Group Audit and Risk Management Committee, Nomination Committee, Remuneration Committee and Investment 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 an Independent Non-Executive Director of YKGI Holdings Berhad, Pansar Berhad and DPI 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 six Board Meetings held during the financial year ended 31 December 2018. 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.

## BOARD OF DIRECTORS (CONT'D)

### **DATO SRI HAJI AHMAD TARMIZI BIN HAJI SULAIMAN**

A Malaysian citizen, aged 57, was appointed as the Non-Independent Non-Executive Director on 10 August 2017 and was subsequently redesignated as a Independent Director on 26 July 2018. He holds a Master of Business Administration (Finance) and also a Bachelor of Science (Business Administration), United States of America.

He started his career in Interfinance Berhad, Kuching in 1983 as a Credit Administrative Assistant. He joined Arab-Malaysian Merchant Bank Berhad, Kuala Lumpur as an Investment Manager from 1987 to 1992. He was an Investment Manager in American International Assurance Co. Ltd. Kuala Lumpur from 1992 to 1993 and a Chief Executive Officer in Amanah Saham Sarawak Berhad from 1993 to 2002. He was a Deputy State Financial Secretary from 2002 to 2004 and is currently the State Financial Secretary since 2004.

He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. He and Ms Hasmawati Binti Sapawi (alternate director to Dato Sri Haji Ahmad Tarmizi) have collectively attended all six Board Meetings held during the financial year ended 31 December 2018. 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.

### **HASMAWATI BINTI SAPAWI** **Alternate Director to Dato Sri Haji Ahmad Tarmizi Bin Haji Sulaiman**

A Malaysian citizen, aged 51, was appointed to the Board of SOPB as an Alternate Director to Dato Sri Haji Ahmad Tarmizi Bin Haji Sulaiman on 27 November 2017. She holds a Bachelor of Arts (Hons, Economics), Canada, a Master of Business Administration, Australia and a Master of Environmental Management (Development Planning), Malaysia. She started her career as an Economist in Investment Division at Land Custody & Development Authority (PELITA) from November 1992 to December 2005 before serving the State Financial Secretary's Office (SFSO) on a secondment basis until December 2007. Subsequently, she was employed on a permanent basis with SFSO. Presently, she is holding the post of the Director of Corporate Services & Investment Division at SFSO since April 2008, handling corporate finance and investment activities. Ms. Hasmawati was a Non-Executive Director in Sarawak Plantation Berhad, appointed on 25 November 2011 and also a Non-Executive Director (Independent) in Amanah Saham Sarawak Berhad, appointed on 31 October 2017.

She is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. She 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.

### **MONALIZA BINTI ZAIDEL** **(Appointed on 26 July 2018)**

A Malaysian citizen, aged 54, was appointed to the Board of SOPB as a Non Executive Director on 26 July 2018. She serves as a member of the Remuneration Committee and Investment Committee. She holds a Bachelor of Science in Electrical Engineering from the University of Bridgeport, Connecticut, USA, a Master of Science In Information Systems and Technology at City University, London and a Corporate Masters in Business Administration (CMBA) at Ohio University, Ohio, USA.

She started her career as an Electrical Engineer at JKR Sarawak from August 1986 to March 2001. She was seconded to Sarawak Incorporated Sdn. Bhd. as a Manager of Facilities Management Services from March 2001 to September 2005. She was promoted as Senior Electrical Engineer at JKR Sarawak from October 2005 to 25 March 2007. She was seconded to Pelita Holdings Sdn. Bhd. from 26 March 2007 to November 2010 as a Senior Manager of Property Management Division, to Jabatan Ketua Menteri (JKM) from November 2010 until 31 May 2012 as a Deputy Director in Innovation Unit and to Pelita Holdings Sdn. Bhd. from 2 May 2012 to September 2016 as a Senior Manager of Property And Engineering Division. She is currently the Senior Manager, Engineering Division at Pelita Holdings Sdn Bhd since September 2016.

She is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. She has attended two out of three Board Meetings held during the financial year ended 31 December 2018. She 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.

### WONG HEE KWONG

A Malaysian citizen, aged 57, 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 2,245,600 shares and 2,853,900 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 48, appointed as the Company Secretary in 1998 and has about 20 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 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 65, 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 43 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 40, was appointed as the Assistant Group Financial Controller of SOPB in 2016 and redesignated as Chief Financial Officer of the Group in 2019. 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.

# 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 2018.





Tan Sri Datuk Ling Chiong Ho  
Group Executive Chairman

## BUSINESS REVIEW - CHAIRMAN'S STATEMENT (CONT'D)

### REVIEW OF RESULTS

The Group's profit after tax of RM67.9 million for year 2018 was 73% lower compared to RM252.3 million reported in year 2017. Lower profit was mainly attributed to decrease in overall upstream operating margin due to lower palm products price realised. The weighted average realized price for palm products for the year eased to RM2,250 per metric tonne compared to RM2,892 per metric tonne in year 2017. The Group's Fresh Fruit Bunches ("FFB") production remained consistent at 1.34 million metric tonnes against 1.37 million metric tonnes preceding year. With these, the basic earnings per share for the year dropped to 10.95 sen against 40.81 sen for year 2017.

In the plantation sector, the Group continues to face acute labour shortages which badly impacted plantation operations with associated crop losses. Continuous effort is being pursued by the Group to recruit more plantation workers. On the other hand, new initiatives are also explored to boost the Group's productivities and operational efficiencies through mechanization.

Further details on operation and financial review could be found in the Management Discussion and Analysis on page 17 to 22.

### DIVIDEND

The Group has continued its dividend policy of retaining large portion of available funds to cater for its future funds requirements. Its cash and cash equivalents of RM654 million as at the end of 2018 would be managed in prudent manner not only for future expansion, but to facilitate better debt management and healthier financial liquidity particularly during low price season.

In connection therewith, the Board of Directors proposed a first and final tax exempt dividend of 5 sen per ordinary share amounting to RM28,543,707 for the Financial Year ended 31st December 2018.

### SUSTAINABILITY

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

In order to formulate effective conservation and biodiversity strategies, the Group, in collaboration with local and foreign research bodies and universities, has embarked on researches, amongst others, greenhouse gas and carbon pool, carbon ecosystem and nitrogen dynamics of tropical peat land. These researches are on-going and in-progress.

The Sustainability Report on page 23 to 63 contains more details on the sustainability initiatives and commitments that the Group has embarked on.

### PROSPECT

Amid the volatile palm products price worldwide and negative perception towards the palm oil industry in western countries, the operating environment for integrated palm oil operator would continue to be challenging. Nevertheless, with the relatively young age profile of 10.8 years and planted land bank of 88,386 hectares, the Group would expect good crop production growth in short to medium term upon majority of its planted area attaining prime age.

Meanwhile, concerted effort would be deployed to mechanize the Group's operation as a measures to mitigate the labour shortages and improve its operation efficacy, thus achieve a lower operating cost as a whole. With the stringent cost control and management effort to realize the full potential of the Group's existing assets and resources, the Group will stay resilient to withstand any adverse oil price movement and strive to continuously deliver value to the stakeholders.

### APPRECIATION

On behalf of the Board, I would like to extend my heartfelt gratitude to the stakeholders on behalf of the Board of Directors for your continuous support and confident to the Group.

### Tan Sri Datuk Ling Chiong Ho

Group Executive Chairman

# Management Discussion and Analysis

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

Overview of  
**GROUP'S BUSINESS  
AND OPERATION**  
PAGE 18

**FINANCIAL  
RESULTS**  
PAGE 18

**REVIEW OF  
OPERATION**  
PAGE 21

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### 1. Overview of Group's Business and Operation

During the year under review, the Group's core businesses remained as upstream and downstream operating segments. Upstream operating segment comprised of oil palm plantation and milling while downstream operating segment comprised of refining, trading and marketing of palm oil products.

On the upstream front, overall Fresh Fruit Bunches ("FFB") production for the Group eased to 1.34 million metric tonnes, representing a decrease of 2% against preceding year's FFB production of 1.37 million metric tonnes. This has translated into the lower average yield per hectare of 16.40 metric tonnes per hectare against 17.07 metric tonnes per hectare achieved in year 2017. The milling operation utilization rate has been consistent with no major changes observed. On the other hand, the Group recorded an average Oil Extraction Rate ("OER") and Kernel Extraction Rate ("KER") of 20.53% and 4.28% compared to 20.65% and 4.23% in the preceding year.

The world palm oil prices remained volatile throughout the year with Crude Palm Oil ("CPO") prices at the beginning of the year of RM2,400 per metric tonne plunging to RM1,800 by year end. The average palm oil realized price for the year also eased to RM2,250 per metric tonne compared to RM2,892 per metric tonne in year 2017.

### 2. Financial Results

#### (i) Group Income Statement

The Group registered a total revenue of RM3,603.9 million in year 2018 against RM4,913.4 million in year 2017, representing a decrease of 27%. The decrease in revenue was mainly attributed to lower palm products average realized prices and lower volume of palm products transacted.

The Group's gross profit margin has also decreased from 11% in year 2017 to 6% in year 2018, as a result of lower revenue and higher cost of sales. The higher cost of sales was caused by, amongst others, escalating wages and other operating expenses.

The abridged income statements is presented below;

|  | Year 2018<br>RM'million | Year 2017<br>RM'million | Change % |
|--|-------------------------|-------------------------|----------|
| Revenue  | 3,603.9                 | 4,913.4                 | (26.7%)  |
| Profit before tax  | 109.0                   | 351.5                   | (69.0%)  |
| Profit after tax   | 67.9                    | 252.3                   | (73.1%)  |
| Earnings before Interest, tax, depreciation and amortisation | 313.6                   | 549.4                   | (42.9%)  |
| Earnings per share:  |                         |                         |          |
| Basic  | 10.95 sen               | 40.81 sen               | (73.2%)  |
| Diluted  | 10.95 sen               | 40.76 sen               | (73.1%)  |

Average realized price for different classes of palm products in year 2018 and 2017 were as follows:-

|                       | 2018<br>RM/mt | 2017<br>RM/mt |
|-----------------------|---------------|---------------|
| Refined palm products | 2,316         | 2,913         |
| Crude Palm Oil        | 2,287         | 2,939         |
| Palm Kernel Oil       | 3,686         | 5,072         |
| Palm Kernel Cake      | 475           | 408           |

(ii) Group abridged cash flow statement

|   | 2018<br>RM'million | 2017<br>RM'million |
|---|--------------------|--------------------|
| Operating activities  |                    |                    |
| (i) Cash generated / (utilized) before changes in working capital                         | 311.93             | 525.59             |
| (ii) Cash inflow / (outflow) for changes in working capital and payment of tax & interest | 65.76              | (661.55)           |
| Net cash flows from/(used in) operating activities  | 377.69             | (135.96)           |
| Financing activities  |                    |                    |
| (i) Net payment for trade financing & loans & borrowings                                  | (260.57)           | (464.82)           |
| (ii) Proceeds from loans & borrowings   | 107.13             | 687.83             |
| (iii) Dividend & interest payment   | (82.30)            | (84.03)            |
| (iv) Cash inflow / (outflow) for other financing activities                               | 0.73               | (24.99)            |
| Net cash flows (used in)/from financing activities  | (235.01)           | 113.99             |
| Investing activities  |                    |                    |
| (i) Capital expenditure on PPE & PDE  | (144.69)           | (89.05)            |
| (ii) Cash inflow / (outflow) for other investing activities                               | 13.41              | 12.42              |
| (iii) Acquisition of subsidiary   | 0.35               | -                  |
| Net cash flows used in investing activities   | (130.93)           | (76.63)            |
| Net increase / (decrease) in cash and cash equivalents                                    | 11.75              | (98.60)            |
| Cash and cash equivalents at 1 January  | 635.06             | 736.01             |
| Effect of exchange rate changes   | 0.54               | (2.35)             |
| Cash and cash equivalents at 31 December  | 647.35             | 635.06             |

During the year, net cash inflow generated from operating activities was RM377.69 million. This was comprised of cash generated before changes in working capital of RM311.93 million, cash inflow from changes in working capital as well as payment for tax and interest of RM65.76 million.

Main financing activities by the Group during the year included proceeds from loans and borrowings amounting to RM107.13 million, changes in trade financing together with repayment of loans amounting to RM260.57 million, as well as dividend and interest payment amounting to RM82.30 million. Overall, net cash outflows from financing activities was RM235.01 million.

As for investing activities, the Group has incurred capital expenditures totaling RM144.69 million mainly for Group's plantation estates, re-plantings of old palm areas, upkeep and maintenance of immature areas and upgrade of palm oil mills.

Overall, there was a net increase in cash and cash equivalents of RM11.75 million. The cash and cash equivalents at end of year 2018 was RM647.35 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### (iii) Group Statement of Financial Position

|                                     | 2018<br>RM'000 | 2017<br>RM'000 |
|-------------------------------------|----------------|----------------|
| <b>ASSETS</b>                       |                |                |
| <b>Non-current assets</b>           |                |                |
| Property, plant and equipment       | 1,559,560      | 1,547,257      |
| Bearer plants                       | 1,028,805      | 1,030,946      |
| Other non-current assets            | 268,434        | 270,715        |
|                                     | 2,856,799      | 2,848,918      |
| <b>Current assets</b>               |                |                |
| Biological assets                   | 8,745          | 15,981         |
| Other current assets                | 605,959        | 785,576        |
| Cash and bank balances              | 654,510        | 639,177        |
|                                     | 1,269,214      | 1,440,734      |
| <b>TOTAL ASSETS</b>                 | 4,126,013      | 4,289,652      |
| <b>EQUITY AND LIABILITIES</b>       |                |                |
| Share capital                       | 820,085        | 819,860        |
| Reserves                            | 1,322,551      | 1,288,308      |
| Non-controlling interests           | 108,194        | 105,663        |
| <b>Total equity</b>                 | 2,250,830      | 2,213,831      |
| <b>Non-current liabilities</b>      |                |                |
| Loans and borrowings                | 756,819        | 796,991        |
| Other non-current liabilities       | 367,403        | 360,280        |
|                                     | 1,124,222      | 1,157,271      |
| <b>Current liabilities</b>          |                |                |
| Loans and borrowings                | 515,035        | 615,890        |
| Other current liabilities           | 235,926        | 302,660        |
|                                     | 750,961        | 918,550        |
| <b>Total liabilities</b>            | 1,875,183      | 2,075,821      |
| <b>TOTAL EQUITY AND LIABILITIES</b> | 4,126,013      | 4,289,652      |

As at 31 December 2018, the Group has total assets of RM4,126.0 million, total liabilities of RM1,875.2 million and total equity of RM2,250.8 million.

As a result of loan repayments and changes in trade financing, the Group's loans and borrowings has decreased from RM1,412.9 million to RM1,271.9 million, thus improving its gross gearing ratio to 0.57 (2017: 0.64).

3. Review of Operation:

(I) Plantation Segment

(a) Planted Areas Statistics

Planted area and age profile:-

| Palm Age (Yrs)         | As at 31/12/2018 |         | As at 31/12/2017 |         |
|------------------------|------------------|---------|------------------|---------|
|                        | Area (Ha)        | %       | Area (Ha)        | %       |
| Immature (Below 4 yrs) | 7,614            | 8.61%   | 8,119            | 9.22%   |
| Young (4-10 yrs)       | 38,288           | 43.32%  | 47,930           | 54.41%  |
| Prime (11-20 yrs)      | 40,757           | 46.11%  | 28,000           | 31.78%  |
| Old (21 yrs & above)   | 1,727            | 1.96%   | 4,045            | 4.59%   |
| Total                  | 88,386           | 100.00% | 88,094           | 100.00% |

During the year, the Group's total planted area was 88,386 hectares (2017: 88,094 hectares), with mature area of 91% (2017: 91%). A total of 4,823 hectares (2017: 1,834 hectares) of old palms area was re-planted. The weighted average palm age as at 31 December 2018 was 10.8 years.

(b) FFB Production and Extraction Rates

|  |       | 2018      | 2017      |
|--|-------|-----------|-----------|
| Group total mature area                    | ha    | 80,772    | 79,975    |
| Group FFB production                       | mt    | 1,340,474 | 1,374,712 |
| Total FFB processed                        | mt    | 2,042,320 | 1,995,193 |
| Group CPO Production                       | mt    | 419,356   | 411,930   |
| Group Palm Kernel Production               | mt    | 87,492    | 84,491    |
| Group FFB average yield                    | mt/ha | 16.40     | 17.07     |
| Group average oil extraction rate (OER)    | %     | 20.53%    | 20.65%    |
| Group average kernel extraction rate (KER) | %     | 4.28%     | 4.23%     |

In year 2018, as a result of lower FFB production, the Group's average yield has decreased to 16.40 metric tonnes per hectare (2017: 17.07 metric tonnes per hectare). With OER of 20.53% (2017: 20.65%), the Group's oil per hectare has decreased to 3.37 metric tonnes per hectare against 3.52 metric tonnes per hectare in year 2017.

A total of 2.04 million metric tonnes FFB was processed during the year (2017: 2.00 million metric tonnes). Mill capacity utilization was approximately 73% (2017: 78%).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### (II) Downstream Segment

During the year, the downstream segment of the Group was operating under a very challenging environment. This was brought about by downward palm oil price adjustment coupled with stiff price competition from Indonesia.

Overall, the refining and fractionation plants were operating at full capacity whilst Kernel Crushing Plant has achieved the running capacity up to 86%. Biodiesel plant has achieved a higher utilization rate of 61.1% compared to 34.8% achieved in preceding year. With the Government's mandate to implement B7 and B10 program in 2019, it should augur well the uptake of biodiesel going forward.

Through the commission of phytonutrient plant, the Group has officially set foot in pharmaceutical and consumer health care products. After the stringent food grade certification by relevant authorities and regulatory bodies, the product registration shall take place and schedule to be launched to the market in year 2019.

### (III) Property Development Segment

The property market outlook in Sarawak exhibits a conservative trend largely attributed to the pessimistic economic sentiment and strict lending policies over the end financing.

Apart from the maiden residential properties development at Lambir, Miri since 2014, the Group also launched Stage 2 commercial property project consisting 24 units of shop-houses to be completed by 2019. In year 2018, the total take-up rate was approximately 46%.

With these, the property segment has registered a better financial result with a profit after tax of RM2.78 million compared with RM0.49 million in year 2017. Overall, the contribution of property segment to the Group would remain insignificant.

## 4. Outlook and Prospects

The Group has planted areas of approximately 88,386 hectares with an average age of 10.8 years. Though there was a dilution on yield per hectare resulted from incorporation of newly acquired estates since 2017, the management has put in adequate resources to consolidate the operation and to realize the full potential of the said asset in the near future.

With these, the average yield per hectare is expected to improve in tandem with the shift of age profile and better operating efficiency. The Group will also continue to focus on improving its OER, KER and plants utilization rate. With the general market research that anticipating a better palm oil price, the Group expects to return to better profitability.



## ABOUT THIS REPORT

This Report provides insights regarding Sarawak Oil Palms Berhad and its subsidiaries (“the Group”) sustainability practices and initiatives spanning across all the operational and management activities of the Group for the financial year ended 31 December 2018. It is prepared in accordance with the Global Reporting Initiatives Sustainability Reporting Standards (GRI Standards) and Bursa Malaysia’s Sustainability Reporting Guidelines. A Sustainability Reporting Team (SRT) has been established within the Group to coordinate in this sustainability reporting.

This Report forms an integral part of the Group’s Annual Report for the year 2018, which would then jointly provide a more comprehensive description of the Group from economics, environmental and social perspectives.

No external assurance was conducted during this reporting period (2018) as this is our initial phase of adopting GRI Standards.

|  |   |
|--|---|
| SCOPE OF REPORT  |   |
| REPORTING PERIOD<br>GRI 102 - 50                           | 1 <sup>st</sup> January 2018 to 31 <sup>st</sup> December 2018, unless otherwise specified.   |
| DATE OF RECENT REPORT<br>GRI 102 - 51                      | This is the second Sustainability Report prepared under GRI standards   |
| REPORTING CYCLE<br>GRI 102 -52                             | Annually  |
| COVERAGE<br>GRI 102 -46                                    | This Sustainability Report covers the entire operations and business units of Sarawak Oil Palms Berhad Group of Companies [“Group”], which comprises the parent company and her subsidiary companies.   |
| GUIDELINES   | Principal Guidelines : Global Reporting Initiative (GRI) Standards<br><br>Additional Guidelines : Bursa Malaysia Sustainability Reporting Guidelines  |
| DISTRIBUTION OF AND FEEDBACK ON THE REPORT<br>GRI 102 - 53 | This Report is available to all stakeholders in hard copy upon request and can be downloaded from our website <a href="http://www.sop.com.my">www.sop.com.my</a> . For further information and comments, please contact:<br><br>Sarawak Oil Palms Berhad<br>Contact Person: Mr. Galau Melayong<br>Telephone : +6 085 436969 |

# SUSTAINABILITY REPORT 2018 (CONT'D)

## GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT TO STAKEHOLDERS

### Dear Stakeholders,

We are pleased to present the 2018 sustainability report in accordance to both GRI Standards and Bursa Malaysia's Sustainability Reporting Guidelines.

GRI Standards and Bursa Malaysia Sustainability Reporting Guidelines provide an avenue for us, as a public listed company, to share our commitments and milestones attained in the sustainability journey, which we regarded as highly significant to our stakeholders.

This year we celebrated our 50th anniversary. Our five decades of involvement in oil palm industry, together with our employees' continued resoluteness in practicing responsible and sustainable oil palm cultivation have enabled us to stay at the forefront of sustainability agenda of the oil palm industry in Sarawak. We will strive to continually spearheading and building a sustainable oil palm business as our foremost duties and responsibilities towards all our stakeholders.

### GROWTH

For the first 20 years from 1968, we have established our first 10,000 hectares of planted oil palm plantation. From 1990's onwards, we gained more momentum and leveraging on our early years' experience, our planted areas have increased to approximately 88,000 hectares on a total land bank of 120,000 hectares. In tandem with increased planted hectareage, we have also diversified our business portfolio to the entire value chain from upstream to downstream. This has enabled us to have a better control over our palm products quality, better traceability to the sources and hence more assurance on sustainability agenda.

We are vigilant of our customers' high expectation and keen interest in traceability of our palm products sources. This year, we have included traceability update in our annual report. To ensure that all our fresh fruit bunches (FFB), crude palm oil (CPO) and palm kernel oil (CPKO) are fully traceable to their sources, including supply from external parties, we have organized our resources and geared up with our plans and actions to have our products fully traceable by end of 2019.

### PEOPLE

Our employees play an important role that contributed to growth of the Group. The Group is continually investing time, money and other resources for the manpower development of a total workforce of about 12,000 people across all its operations so as to achieve a higher level of performance.

The Group continues to create a conducive work environment for its employees. The Safety and Health Unit within the Group specifically plans, implements and follows up on its various safety and health programs aimed to reduce occupational risks and accidents in the workplace. Besides this, the Group's housing quarters and amenities are regularly maintained and upgraded for the dwelling comfort of its employees.

The Group does provide plenty of job opportunities to the local communities for them to participate and reap economic benefits in the oil palm sector.

In conjunction with our 50th Anniversary celebration, we had organized a lot of activities for our employees, the general public and surrounding communities as a token of appreciation for their contribution and continued support to the Group.

**PLANET**

We strongly support the government’s initiative in making Malaysian Sustainable Palm Oil (MSPO) certification mandatory for all plantation companies and smallholders. The Group has actively participated in the working committees of oil palm bodies at local and national levels in preparation for MSPO certification. It is envisaged that all the oil palm estates, palm oil mills and downstream refinery plants & facilities of the Group will be certified under MSPO in year 2019.

Besides MSPO certification for our own Group, we are also in collaboration with the Malaysian Palm Oil Certification Council (MPOCC) in assisting other oil palm plantations / small holders in Sarawak to go for certification under MSPO.

I would like to thank our stakeholders for their interest in our Group’s sustainability progress and efforts all these years. We will continue to work closely with our stakeholders as this collaboration will benefit all the parties in our sustainability journey. Our journey will not stop here and we will continue to push for excellence as we endeavor for a balanced approach towards our sustainability commitments.

**PAUL WONG HEE KWONG**

GROUP CHIEF EXECUTIVE OFFICER

**SUSTAINABILITY GOVERNANCE**

The Group has established a sustainability governance structure as depicted below:-



# SUSTAINABILITY REPORT 2018 (CONT'D)

## SUSTAINABILITY POLICY

Our sustainability implementations are governed by our three main policies that have been published:- **Environmental Sustainability Policy, Social and Community Policy and Occupational Safety & Health Policy**. All the commitments stated in the policies are closely monitored, implemented and reviewed continuously.

- Our **Environmental Sustainability** policy was established in 2014 and it outlines our commitments to protect the environment including 'Zero-Burning', proper waste disposal and minimum pollution to the environment.
- Our **Social and Community** policy was established in 2014 and it outlines our commitments in 11 areas including our stance on 'Children and Young Workers', 'Freedom of Engagement' and 'Equality of Opportunity'.
- Our **Occupational Safety and Health Policy** was established according to the Occupational Safety and Health Act (OSHA) 1994. It has been reviewed and updated in 2017 to ensure that it complies with OSHA requirements and also governs the Group's practices on occupational safety & health agenda.
- **No Deforestation, No Peat & No Exploitation Policy (NDPE)** - This updated policy has been launched in the first quarter of 2019. This updated policy marked another milestone for the Group as it demonstrates its firm commitment towards NDPE and its path to be an environmental sound edible oils producer .

## MATERIALITY

This Sustainability Report has been prepared based on the key materiality concerns that were identified during the 2017 Materiality Assessment exercise. More comprehensive data are available in this year to enable us to keep track of our sustainability performance.

# Our Sustainability Material Matters



### Profit

Economic Performance  
Anti - Corruption  
Anti - Competitive Behaviour



### People

Employment  
Labor Management Relations  
Occupational Safety & Health  
Training & Education  
Diversity & Equal Opportunity  
Non-Discrimination  
Freedom of Association  
Human Rights Assessment  
Public Policy  
Marketing & Labeling  
Customer Privacy  
Local Communities  
Rights of Indigenous People



### Planet

Water  
Biodiversity  
Environmental Compliance  
Energy

**STAKEHOLDERS ENGAGEMENT**

**Building Extensive Relationships**

Being fervently promoting sustainable oil palm cultivation in Sarawak, it is understandable that our stakeholders have high expectation of our policies and our implementation. We have been actively engaging our stakeholders to address areas of shared interests and concerns. Over the years, we continue to build strong relationships with diverse groups of stakeholders especially in Sarawak via various platforms highlighted below.

| Stakeholder Group  | Modes of Engagement  | Outcomes  |
|--|--|---|
| <b>Employees, Staffs &amp; Workers</b>                   | <ul style="list-style-type: none"> <li>• Site Visit by GCEO to operation sites</li> <li>• Training</li> <li>• Social activities</li> <li>• Meetings</li> <li>• Morning muster</li> <li>• Newsletters</li> </ul>            | <ul style="list-style-type: none"> <li>• Enhanced understanding of the Company's policies and procedures as well Management's targets</li> <li>• Aware on the updates of Sustainability requirements or compliance</li> <li>• Safer working environment</li> <li>• Better Work-Life Balance</li> </ul>  |
| <b>Customers</b>   | <ul style="list-style-type: none"> <li>• Meetings</li> <li>• Workshop</li> <li>• Seminar</li> </ul>  | <ul style="list-style-type: none"> <li>• Increase awareness especially in sustainability agenda</li> <li>• Enhance understanding of the Group's commitment towards sustainability</li> </ul>  |
| <b>Government &amp; Regulators</b>                       | <ul style="list-style-type: none"> <li>• Meetings</li> <li>• Workshop</li> </ul>   | <ul style="list-style-type: none"> <li>• Compliance to legal requirements</li> <li>• Support and comply to MSPO</li> <li>• Involvement in Technical Working Committee of MSPO in MPOCC</li> </ul>   |
| <b>Media</b>   | <ul style="list-style-type: none"> <li>• Engaged media groups in Group's events or projects</li> </ul>   | <ul style="list-style-type: none"> <li>• Publishing articles of our events or projects</li> </ul>   |
| <b>Smallholders, Out growers &amp; Local Communities</b> | <ul style="list-style-type: none"> <li>• Workshop</li> <li>• Meetings</li> <li>• Seminars</li> <li>• Dialogue sessions</li> </ul>  | <ul style="list-style-type: none"> <li>• Awareness on the sustainability requirements</li> <li>• Enhanced understanding of the Company's objectives in sustainability</li> <li>• Enhance Company's relationships with suppliers</li> </ul>  |
| <b>Non-governmental organization (NGO)</b>               | <ul style="list-style-type: none"> <li>• Meetings</li> <li>• Site Visits</li> </ul>  | <ul style="list-style-type: none"> <li>• Better understanding of Group's policies and procedures</li> </ul>   |
| <b>Schools &amp; Universities</b>                        | <ul style="list-style-type: none"> <li>• Site Visits</li> <li>• Project e.g., employee engagement</li> <li>• Internship opportunities</li> <li>• Events / Competitions</li> <li>• Career fair</li> <li>• Awards</li> </ul> | <ul style="list-style-type: none"> <li>• Provide opportunities and support underprivileged or outstanding students in their studies</li> <li>• Awareness on oil palm industry</li> <li>• Provide opportunities for university students to have on -the job- learning experience</li> <li>• Attract new talents</li> <li>• Seek feedback on the sustainability initiatives by the Group</li> <li>• Collaboration projects for the Group's Conservation Projects</li> </ul> |

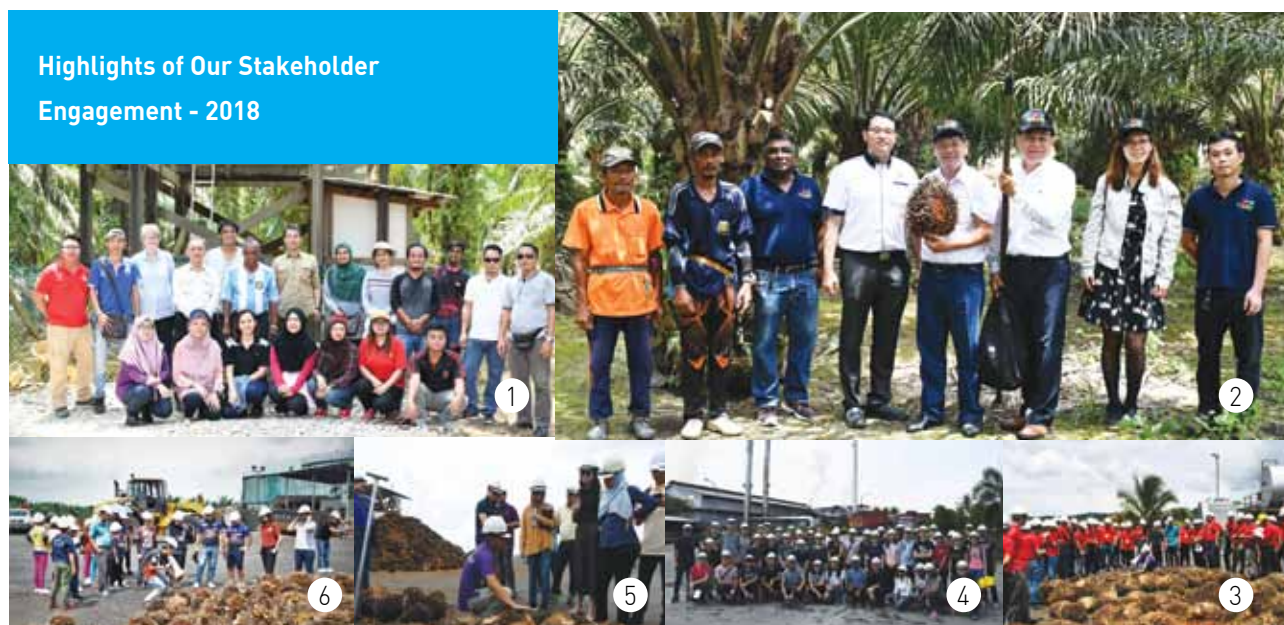
## SUSTAINABILITY REPORT 2018 (CONT'D)

| Stakeholder Group                          | Modes of Engagement  | Outcomes   |
|--|--|--|
| <b>Certification Bodies</b>                | <ul style="list-style-type: none"> <li>Sustainability certifications</li> </ul>  | <ul style="list-style-type: none"> <li>Audit and re-certification</li> </ul>   |
| <b>Shareholders, Investors &amp; Banks</b> | <ul style="list-style-type: none"> <li>Site Visits</li> <li>Quarterly updates</li> </ul>   | <ul style="list-style-type: none"> <li>Better understanding of the Group's sustainability status, progress and initiatives</li> <li>Foster relationship with investors and shareholders</li> </ul> |
| <b>Suppliers</b>                           | <ul style="list-style-type: none"> <li>Engagement survey</li> <li>One-to-one meetings</li> <li>Contract bidding &amp; tender meetings</li> </ul> | <ul style="list-style-type: none"> <li>Better understanding of the Group's business ethics and culture</li> <li>Awareness of the Group's sustainability commitments</li> </ul>                     |

### Highlights of Stakeholders Engagement in 2018

#### (i) Stakeholders' site visits to the Group's operational units

We hosted visits made by our stakeholders from NGOs, customers, schools, universities, investors, banks and business partners who were interested in our sustainability initiatives, roadmaps and milestones.



#### Visits from various stakeholders' groups to our operations units.

Clockwise, Left to Right 1. International Advisory Panel (IAP) Visitation. 2. Taiwanese Visitors at Lambir estate. 3. PPKS-ICATS. 4. Curtin Students Visit to Lambir POM. 5. RHBIB visit to Lambir POM. 6. Visit from students of SK Sg. Peking, Baram

**(ii) Engagement with smallholders, outgrowers, fresh fruit bunches “ FFB” suppliers in preparation for Malaysian Sustainable Palm Oil (MSPO) Certification**

In 2018, we held several engagements with FFB smallholders, outgrowers , FFB suppliers including owners of oil palm companies. These events were jointly organised with the relevant government agencies, customers and NGOs focusing primarily on the importance of MSPO certification and the necessary preparation required.



**Events and meetings organised with our stakeholders.**

Clockwise, Left to Right 1. NDPE Workshop by Proforest in Pullman Hotel, Miri. 2. Representative of MONASH University. 3. Outgrowers’ Engagement at Balingian POM and 4. NTFP-EP Visit to Taniku Estates.

**Highlights Of Stakeholders Engagement In First Quarter Of 2019**

The Group’s updated Oil Palms Sustainability Policy (OPSP) was launched in the first quarter of 2019. The OPSP was launched in Singapore and Miri respectively in February 2019 and March 2019. Relevant stakeholders were invited to witness the launch which was the Group’s declaration towards “No Deforestation , No Peat and No Exploitation (“NDPE”) agenda.

The main objectives of the launch were:

- i. To communicate to our stakeholders that the Group is committed to NDPE;
- ii. To communicate to our stakeholders that the Group has a sustainable supply chain with a robust supply chain policy;
- iii. To raise awareness on the increasing demand by the markets on labour and environment requirements.
- iv. To encourage all our palm products suppliers to be certified under Malaysian Sustainable Palm Oil (MSPO) standards.

## SUSTAINABILITY REPORT 2018 (CONT'D)

### The Inaugural Dialogue on SOPB Oil Palms Sustainability Policy in Singapore, 22nd February 2019



Networking among participants during the event.



Presentation by the Group's Head of Sustainability.

### Stakeholder Engagement: Dialogue on SOPB Oil Palms Sustainability Policy in Miri, 18th March 2019



Representatives from 26 major plantation companies at the dialogue.



The Group's Chief Executive Officer Paul Wong Hee Kwong emphasizing the importance of sustainable palm oil production.



**MARKETPLACE**

**Sustainability Certification**

**(i) Malaysian Sustainable Palm Oil (MSPO) Certification**

The Group has been actively involved in MSPO Certification program through its participation in the oil palm bodies both at local and national level. We fully support the government’s initiative in promulgating Malaysia’s own sustainability certification to regulate and to promote a sustainable oil palm industry in Malaysia. Making this certification mandatory shows the firm commitment by the government of Malaysia to make oil palm a recognized environmental sound and sustainable industry . We have set targets to have all the Group’s operation units to be certified with MSPO certification in year 2019.

**(ii) International Sustainability & Carbon Certification (ISCC)**

ISCC is an international certification system that is used to evaluate sustainability and greenhouse gas savings for biomass and bio-energy and is recognized by the European Commission (EC). To-date, six palm oil mills, one Refinery and approximately 65% of the Group planted areas have been certified under ISCC.

The sustainability certification details and its updates are available on our Group’s portal.

# Sustainability Certifications

Our Journey in Sustainability Certifications **as at 31st December 2018**



**Malaysian Sustainable Palm Oil (MSPO) certification**

30 Estates,  
6 Palm Oil Mills are certified

*Next step*

2019 : ALL operation units are to be MSPO certified



**International Sustainability & Carbon Certification (ISCC)**

- 26 Estates
- 6 Palm Oil Mills
- 1 Refinery
- 1 Biodiesel Plant
- 1 Trading Office

## SUSTAINABILITY REPORT 2018 (CONT'D)

### Food Safety, Quality & Labelling

Consumers today are highly health-conscious. Their purchasing decisions are influenced by a combination of factors of which food safety and quality are their top concerns. In this regard, our Group's oil palm estates, palm oil mills, refinery, biodiesel plant, cooking oil packaging plant have obtained certification under various recognized standards as below:-

ISO 9001, 17025 & 22000, ISCC EU & PLUS, HACCP, GMP & GMP+B2, MeSTI, HALAL, KOSHER, CoP MPOB and FDA registered.

Our labelling for packed products, namely, cooking oil also meets the requirements of Malaysian Food Act.

### 3-MCPD Project

In year 2016, European Food Safety Authority (EFSA) published a report regarding the risk of 3-MCPD, a contaminant developed during processing (refining) of edible oils and fats, on kidney toxicity based on its available studies on animals (rats). We take cognizance of the seriousness of this nature, and had in year 2018, entered into collaboration with the Malaysian Palm Oil Board (MPOB) to undertake research and development by modifying the refining processes with the aim of producing low 3-MCPD refined palm oil. The final outcome of this research and development initiative is expected to be completed by end of year 2019.

### Customer Satisfaction Survey

The Group's downstream operation monitors indices of customer satisfaction via customer satisfaction survey as one of its parameters in measuring the performance of its quality management system. Annual score from 2016 to 2018 are depicted below and were all above 3.8.



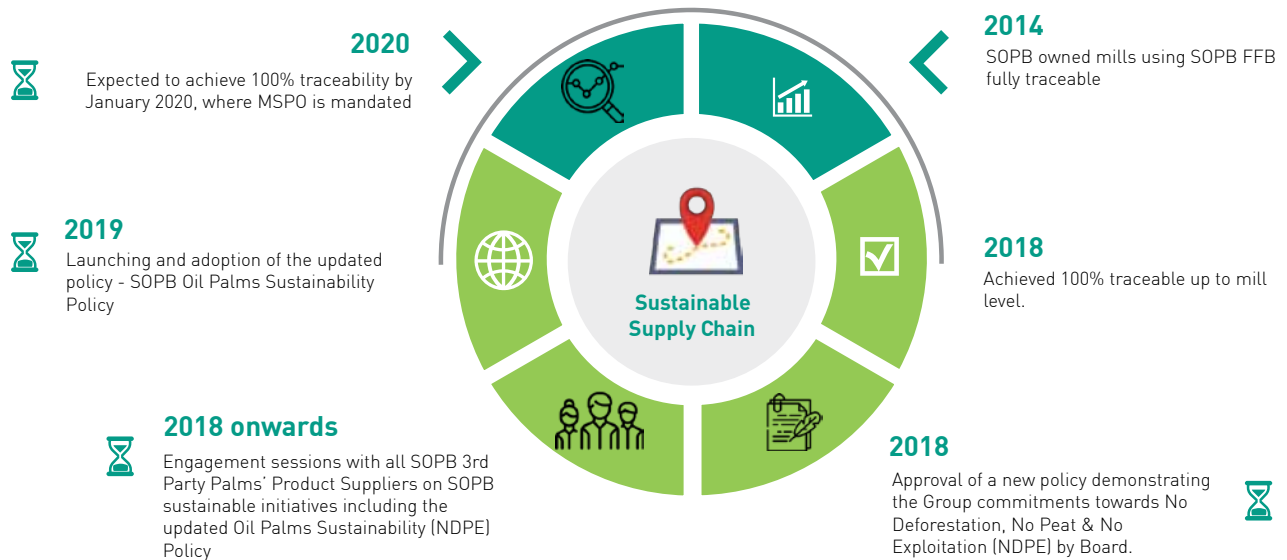
The survey focused on three key areas: product quality, timeliness in product delivery and quality of service (pre and post-sale). The Management took note the slight decrease in 2018, and has taken measures to improve the timely delivery of products to customers.

**Customer Privacy**

The Group has a customer privacy policy which is in compliance with the Personal Data Protection Act 2010. We endeavor to keep and maintain personal information database in secured matter. No violation of the personal data policy was reported for the year 2018.

**Traceability and Supply Chain**

**Road Map Towards Sustainable Supply Chain**



The Group aims to source and to produce safe, high quality and sustainable palms product throughout the supply chain. To achieve this, we are working closely with palm products suppliers to achieve a traceable, transparent and sustainable palm oil supply chain by 2020.

To become fully traceable to the plantation sources for all our palm's product supplier, it is a challenge that the Group would endeavor to pursue along its sustainability journey.

We believe that 100% traceability to plantation sources is achievable. The Group aims to be fully traceable through collaborations and engagements with our palm products suppliers and customers. The Group is firmly committed to adopt the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme as the main standard and also encourage all of its suppliers to comply with MSPO certification scheme.

The Group recognizes the importance of each supplier to undergo MSPO certification and therefore provide support, where necessary, to the suppliers to help their preparation for MSPO certification.

## SUSTAINABILITY REPORT 2018 (CONT'D)

### Investor Relations

The Group recognizes the importance of providing investors and general investing communities with accurate and timely information regarding its business activities, processes, development and performance.

The Group engages investors primarily via its investor relationship team who regularly delivers presentations to analysts and hosts dialogue sessions.

For the year 2018, the investor relationship team has had held regular meetings or dialogue sessions with analysts and the investing communities.

Annual General Meeting of the Company also acts as a forum for shareholders to air their views and offers opportunities for them to seek clarification. The Board of Directors and key members of the management team are present to respond to any queries.

Announcements, disclosures and reports are made available to the public via the Company's website and Bursa Malaysia page.

### ENVIRONMENTAL

#### Riparian Buffer Zones

Riparian buffer zones are established and maintained to avoid runoff from plantation estates into the natural waterways, which is in line with the Group's "Protection of Riparian Buffer Zone and Slope Policy" which was established in 2016.



Riparian buffer zones are protected from any spraying and burning activities. Signages are displayed as part of our initiatives to raise awareness.

### Integrated Pest Management (IPM)

Integrated Pest Management (IPM) is an approach that combines biological, mechanical, physical and chemical control techniques to combat pests. This approach would also reduce the dependency on chemical pesticide in the plantation operation.



Beneficial Plants (e.g., Tunera spp. and Antigonon leptopus) are planted to attract natural predators which counter insect pests in oil palm estates.

### Zero Burning Practice

The Group adheres strictly to 'Zero Burning' practice. In re-planting, old palm trees are felled, chipped and left to decompose in situ so that nutrients are returned to the soil. Besides, the Group has also adopted another approach by submerging the palm trunk tissues in water which would destroy the spores of disease, if any, in the deep close - end conservation trench. These could help reduce carbon footprint and mitigate recurrence of certain palm disease.

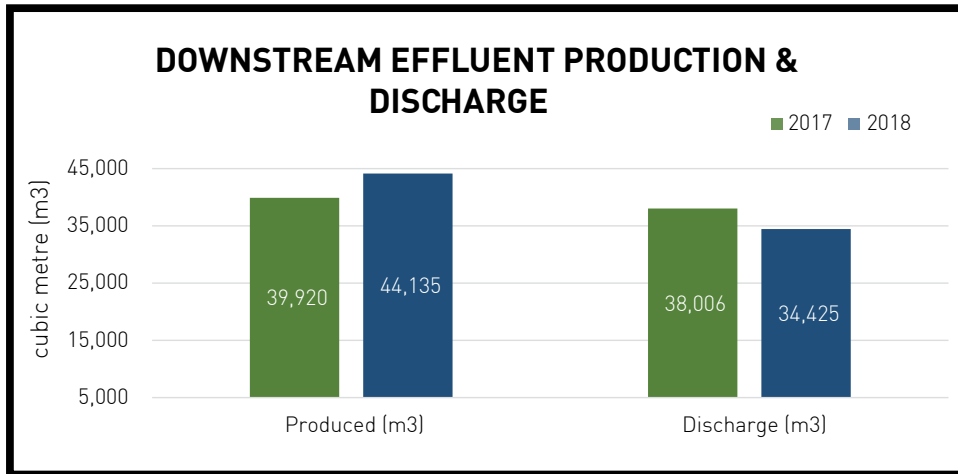
Controlled open burning was allowed with a prior written approval from Natural Resources and Environmental Board (NREB). However, we have adopted zero burning policy for the past decade, and we are pleased to learn that NREB has recently, in August 2018, issued directive on total ban of open burning for plantation with immediate effect.

### Biological Oxygen Demand ("BOD") Discharge

Wastewater is produced in the course of manufacturing in the mills, refinery and biodiesel plants. It is treated before being discharged into local waterways. For the mills, other effluents are also used as fertilizer for palm trees.

We adhere strictly to the regulatory bodies permitted limits in order to minimize the risk of pollution. We also conduct internal and external laboratory testing to ensure that BOD discharge complies with statutory requirements.

The chart below portrayed volume of effluent discharged versus volume produced

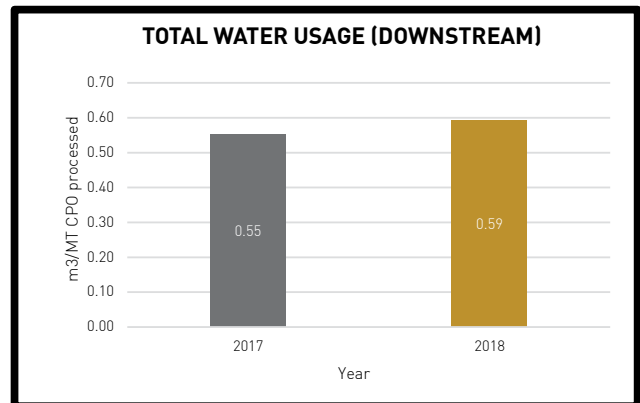
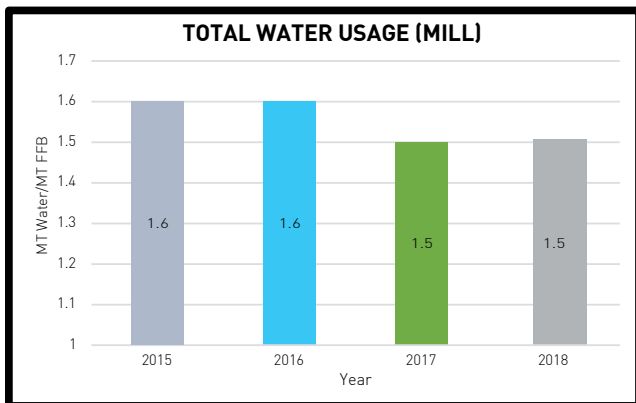


**Water Management**

Water is used for palm oil mill processing to generate steam for sterilizing fresh fruit bunch, dilution of crude palm oil for clarification, kernel extraction processes and also flushing and mill cleaning activities.

For the period 2015 and 2016, the Group’s palm oil mills maintained an average water to FFB process utilization ratio at 1.6MT water per MT FFB processed. For year 2017 to 2018, water usage ratio was reduced to 1.5MT water per MT FFB processed.

For the downstream operations, there was a slight increase in water usage (i.e. an increase of 7% or 0.04 m<sup>3</sup> per MT of CPO processed). The downstream operation management has taken measures to improve water usage efficiency.



Water resources are optimized wherever possible. Employees at plantation estates are encouraged to practice rainwater harvesting at their housing premises via water storage tanks. The harvested rainwater is beneficial especially during the period of drought season.

## Conservation and Biodiversity

### (i) Forest Conservation

The Group is committed to No Deforestation, No New Development on Peat, HCV and HCS areas in line with the Group's Oil Palms Sustainability Policy.

Since year 2015, in collaboration with the Malaysian Palm Oil Board (MPOB), we have embarked on forest conservation project with the establishment of conservation site, i.e. at Tinbarap Conservation Area (TCA) in Beluru (210ha). This project is a meaningful learning journey and act as a pathfinder for the Group to venture further into forest conservation.

Our commitment towards no deforestation include High Conservation Value (HCV) assessments for all our post-2005 estates. We are also currently looking into adopting High Carbon Stock (HCS) approach in line with no deforestation policy.



Sg Kulak at Tinbarap Conservation Area (TCA)

### (ii) Area of High Conservation Value (HCV)

The Group acknowledges that all natural landscape, however small as they may be, could be found to have either biological, ecological, social or cultural value. A HCV area could be defined as an area where such values are significantly recognized at the national, regional or global level.

The Group has established a Biodiversity and Conservation unit in 2015. We welcome and support biodiversity and conservation-related research projects and has set aside forest conservation areas for these purposes. Over the past two years, we have collaborated with local and international bodies, including universities and research institutions in carrying out research and studies related to biodiversity, forest conservation and rehabilitation.

These collaborations facilitate an exchange of ideas and knowledge and enable us to better understand the dynamics of the environment surrounding the plantation estates. It thus helps us in improving plantation estates management and productivity of plantation estates.



A short-nosed fruit bat sighted



Nepenthes sp. found at our TCA

### (iii) Forest Rehabilitation

To further facilitate forest regeneration, we have entered into forest rehabilitation, replanting and enrichment program with Sarawak Forestry Corporation (SFC). This program involves the planting of 5,000 native trees in TCA.



*Sandoricum beccarianum* sp.  
(Kelampu Paya) are nurtured for TCA



**Energy Management**

**Non-renewable Energy**

In the Group's operation units, fossil fuels are primarily used by mechanized equipment, agricultural machinery and vehicles. The total diesel consumption by the Group for 2017 and 2018 are as follow:-

**DIESEL CONSUMPTION**

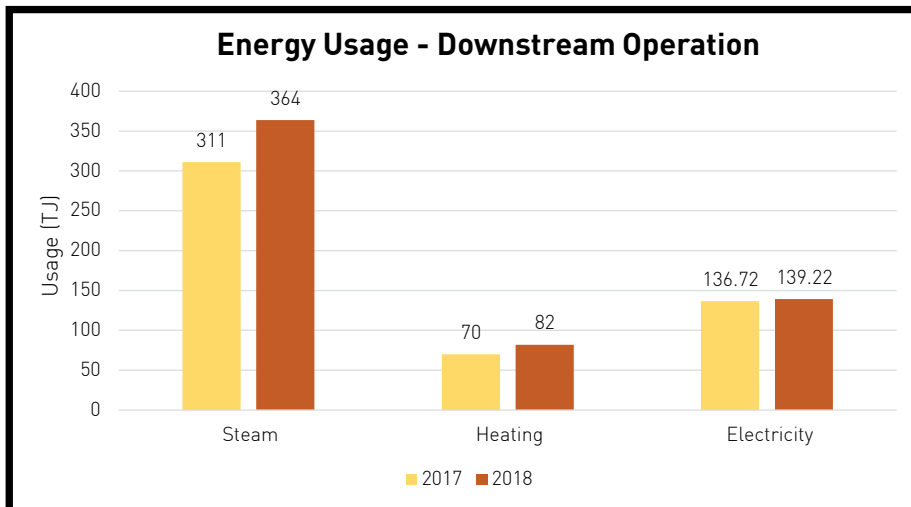
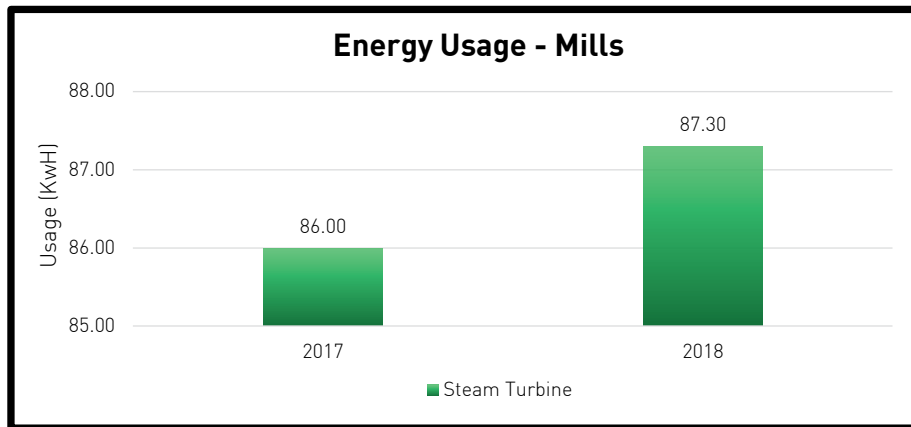
| YEAR                        | 2017  | 2018  |
|-----------------------------|-------|-------|
| Quantity, in million litres | 13.92 | 11.38 |

**Renewable Energy At Mills And Downstream Operation**

Biomass such as fiber, shell and empty fruit bunches are by-products from palm oil mills. It is the main source of renewal fuel used for power generation for use in palm oil mill operation.

From 2015 to 2018, the Group continued the practice of optimizing the usage of such renewable fuel.

In year 2018 , there was a slight increase of 1.5% in energy usage compared to 2017 as operation processing hours in the mills were relatively longer.



### Gaseous Emission

Greenhouse Gases (GHG) emission is measured using the ISCC toolkits based on EU Renewable Energy Directive (RED).

### Total Greenhouse Gases (GHG) emission values

| OPERATION UNIT |                | VALUES (in tonnes CO2 eq) |        |         |        |
|----------------|----------------|---------------------------|--------|---------|--------|
|                |                | 2017                      |        | 2018    |        |
|                |                | Scope 1                   | Scope2 | Scope 1 | Scope2 |
| 01             | PLANTATION     | 181,101                   | -      | 126,608 | -      |
| 02             | MILL           | 129,173                   | -      | 120,930 | -      |
| 03             | REFINERY       | 10,132                    | 9,172  | 16,640  | 9,109  |
| 04             | BIODESEL PLANT | 10,404                    | 1,271  | 17,297  | 2,308  |

**Scope 1** - emissions covers emissions generated on site / direct emissions from owned or controlled sources

**Scope 2** - emissions are indirect CO2 emissions through the purchase of electricity from utility providers.

### Reduction of GHG Emission - Biogas Plant

On the milling front, biomass boilers were set up in all the palm oil mills and also in the downstream refinery complexes to ensure optimal utilization of biomass ,in the form of shell, fibre and empty fruit bunches, for generating renewable energy and thus reduce consumption of fossil fuels.

Biogas plants are planned for all the palm oil mills to minimize the greenhouse gas emission. The contract for the first biogas plant construction in one of the palm oil mills has been awarded and its construction is in progress.



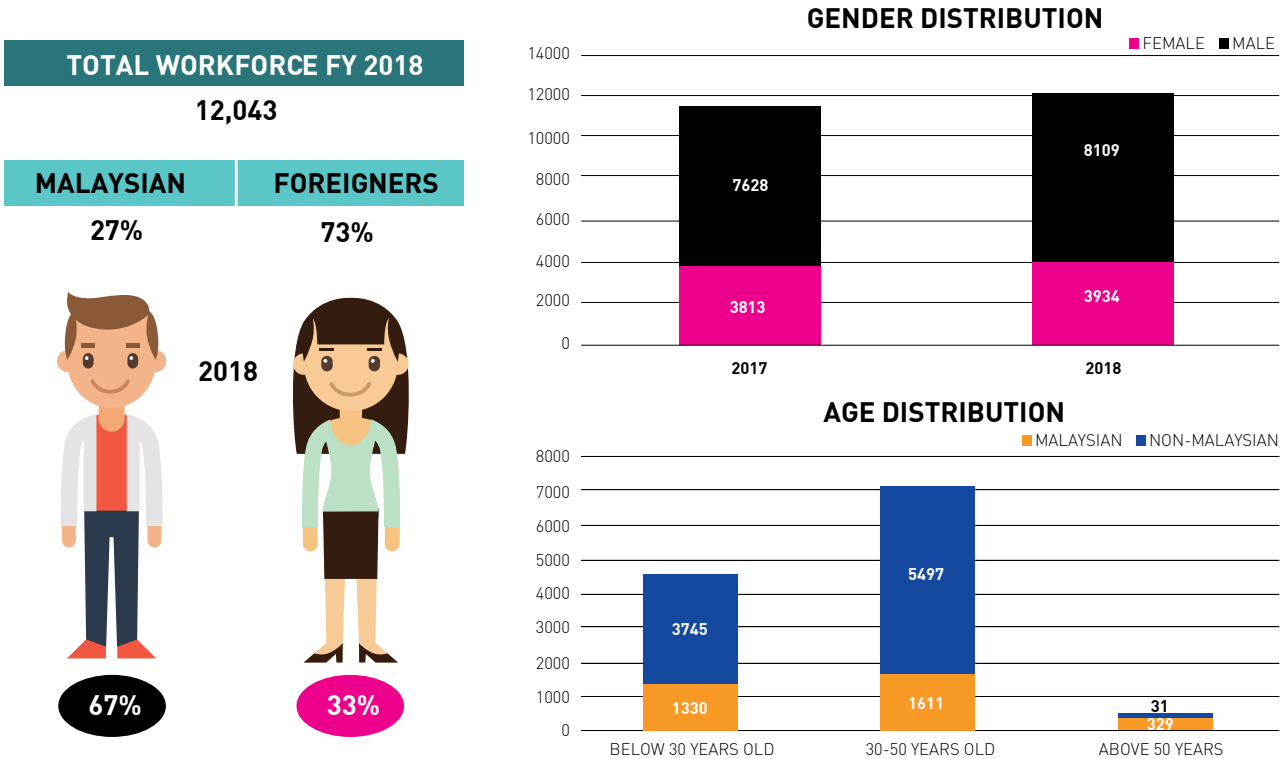
**SOCIAL ( EMPLOYEES & COMMUNITIES)**

**(i) Employees**

Our employees have always been the core valuable assets instrumental to the success and continued growth of the Group.

The Group advocates fair employment policies and practices as it is committed to equal employment opportunities without discrimination as regard to gender, age, religion, race, ethnicity and origin.

Currently there are about 12,000 employees, recruited based on qualifications, skills and expertise required for the position or job involved. The profile of the employees are depicted below:-



We are pleased to report that in year 2018, there was no incident of discrimination , no incident or risks of forced or compulsory labor nor under-aged person ( under the age of 18 years old) working in the Group. The Group has complied fully with the provisions of Sarawak Labour Ordinance.

The Group respects the rights of its employees to freedom of association. This commitment of freedom of association is stated in its Social and Community Policy. As at 31 December 2018, there is no trade union established in the Group nor other trade union joined by our workers.

Each operation unit has established its own Workers’ Committee where each representative in the Committee is selected by the workers themselves. This Committee serves as an alternative channel for the workers to convey or relay problem or issue faced by them.

## SUSTAINABILITY REPORT 2018 (CONT'D)

### Employees Engagement

The Group actively engages our employees through avenues such as gatherings, sports events, knowledge sharing sessions and other leisure activities to build rapport and to keep employees informed on the latest updates on oil palm industry and development in the Group.

In 2018, a consultant from Monash University was engaged to carry out a project involving the Group's employees assessing their understanding on the Group's sustainability strategies. The consultant has come out with recommendations, amongst which are 'green innovation skills' and 'team work'. The Group would embark on the recommendations to raise employees awareness and participation in the Group's sustainability endeavors.

### Social Amenities

Social amenities are crucial for the social well-being of the employees. The Group has continually committed to provide decent housing, recreational facilities, learning centers and places of worship for its employees.



A chapel for the Christian workers at one of SOPB estates.



A surau for the Muslim workers at one of SOPB estates.



Health Centre are provided at certain estates to provide basic medication needs for the workers.



Accommodation with electricity and clean water supply is given to every SOP Group's worker at the plantation sites.

Training

Total Training Hours

2017 2018



| YEAR | FEMALE           |                |                        | MALE             |                |                        |
|------|------------------|----------------|------------------------|------------------|----------------|------------------------|
|      | No. of Employees | Training Hours | Average Training Hours | No. of Employees | Training Hours | Average Training Hours |
| 2017 | 283              | 3000           | 10.60                  | 404              | 5974           | 14.79                  |
| 2018 | 188              | 3425           | 18.22                  | 363              | 8216           | 22.63                  |

The above total training hours were in respect of training undertaken by monthly-paid employees.

At each operation unit, training handbooks, guidelines and procedures are available. Each operation unit is required to keep all the training documents and records to ensure that employees are trained for their job requirements.

Career Development

The Group emphasizes importance of imparting relevant and up-to-date knowledge, know-how and skills to its employees. Various in-house training programs and refresher courses were organized. Selected employees were also sent to attend relevant external training programs, conferences and seminars on subject matters related to palm oil milling & refining, environmental protection, taxation, finance & financial reporting, occupational health & safety, cyber security and information technology to enable the employees to enhance their competencies in their respective functions.

SOP Academy

SOP Academy which was set up in 2010 has become the main venue for in-house training program. The establishment of this academy is in line with the Group’s goal of producing highly skilled planters in oil palm industry. Through the Plantation Induction Program, new employees are adequately trained to achieve desired level of competencies before they are stationed at their respective operation units. During the past two(2) years, a total of 21 executive level employees , 96 supervisory & clerical level employees were trained here.

## SUSTAINABILITY REPORT 2018 (CONT'D)



SOP Academy training program comprises both classroom and outdoor learning activities

### Housing Quarters and Amenities

In 2018, the Group has earmarked approximately RM20 million capital expenditure for the next 3 years in upgrading employees' housing quarters and amenities. Tenders were awarded for the construction of six (6) housing projects costing approximately RM4.5 million in year 2018, and five(5) of them are scheduled to be completed in first half of year 2019.

### Early Childhood Education – Community Learning Centre

Children of our employees who stay together with their parents in plantation estates are given opportunity for early childhood education. The Group has collaborated with the Consulate General of Republic of Indonesia in Sarawak in establishing Community Learning Centre which provides early childhood education and learning.



Our foreign workers' children at the Community Learning Centre (CLC) in one of our estates.

Once the children reached the age for schooling, the Group also provides free transportation for them to attend classes regularly.

### Montessori Kindergarten

The Group started Montessori Kindergarten project in September 2018 and is located at SOP Academy . This project aims to provide pre-school education by adopting the Montessori teaching method in English.

The Montessori method is specifically designed to develop the child's overall personality from physical coordination to intellectual faculties. Through such method, it is believed that a child will develop into a resilient and useful person in the society.

### SOP MONTESSORI KINDERGARTEN 2018



### Health & Well-Being of Employees

The Group encourages its employees to strike a balance between working hard and living healthily . Towards this, various recreational activities such as sport events, games, outings, joggerton, gatherings and family days were organized which the employees actively participated.



SOPB's Board of Directors and senior management officiated the Group's 50th Anniversary Dinner.

### SOP GROUP GATHERING WITH GCEO



This engagement/gathering is an annual event, a two-way dialogue session between Management, Seniors Managers and Managers to update each other and share insights on Group's direction, operational progress and plans for the years ahead.



**SOP GROUP FAMILY DAY 2018**



SOP Group Family members taking part in one of the games.



SOP Group Family were enjoying themselves during the Zumba session.

**SOP CHARITY RUN 2018**



The event was Flag off by SOPB Group Executive Chairman, Tan Sri Datuk Ling Chiong Ho and Senior Management.



SOP Family who made it to the finishing line.



SOP CharityRun 2018 successfully collected RM50,055.00 which later donated to five non-charitable bodies in Miri City. The 5 recipients are:

1. Sarawak Society For The Blind
2. Palliative Care Association of Miri
3. MRCS Sunflower Centre
4. PIBAKIS
5. PDK Morsjaya



Keeping the pace and safety of the runners, the bike marshals posing for the camera



SOPB 50th Anniversary Futsal Tournament.



SOP Family enjoy the SOPB Corporate Movie Night.

### SOP GROUP 50th Anniversary Telematch among Workers



A series of telematch were held in every region of SOP Group's operation to celebrate the Group's 50th anniversary.



**Occupational Safety and Health**

Occupational Safety and Health (OSH) Committee has been established in each operation unit of the Group. The OSH Committee at respective operation unit oversees the implementation of the Group’s Occupational Safety and Health Policy and practices to ensure that they are implemented across the whole Group.

**Fatal Accident Rate**

Fatal Accident Rate is calculated based on the following formula (reference: Occupational Safety and Health Act 1994 JKPP8).

Fatality Rate = Fatal Accident Rate

$$\text{Fatal Accident Rate} = \frac{\text{No. of fatalities x 1,000}}{\text{Annual average no. of employees}}$$

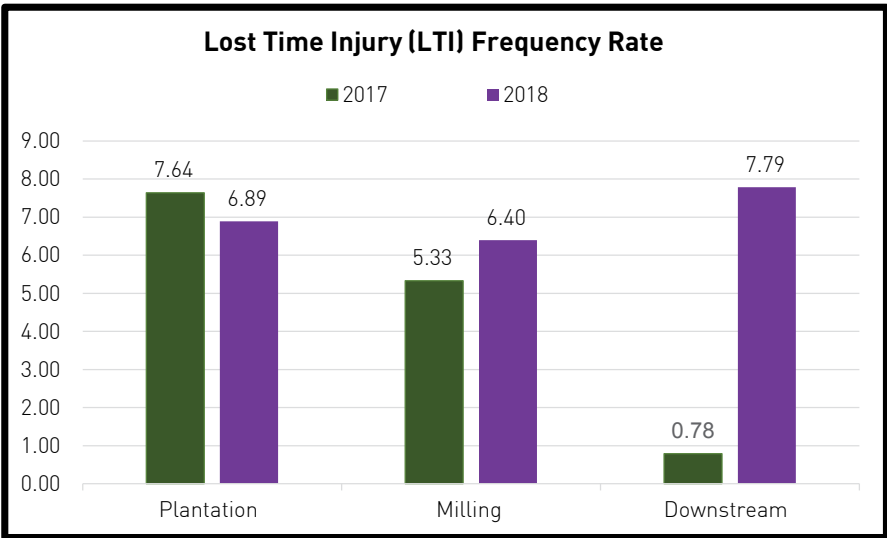
The Group aims to achieve zero fatality. Unfortunately, there were two (2) fatalities in 2018 which involved vehicles accidents in the plantation operations.

The cases concerned had been thoroughly investigated, root causes identified and necessary actions taken to prevent recurrence. Refresher training are also conducted on regular basis to inculcate safe driving across the whole Group.

**Lost Time Injury (LTI)**

$$\text{Lost Time Injury Frequency Rate} = \frac{\text{Number of accident X 1,000,000}}{\text{Total man-hours worked}}$$

The formula above is based on Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004 guideline.



As depicted in LTI Frequency Rate graph, there is a decrease of LTI in the plantation operations, whereas there was some increase in the milling & downstream operation. For year 2018, LTI for downstream operations included non- occupational accidents which contributed to its increase.

## SUSTAINABILITY REPORT 2018 (CONT'D)

### Construction Site Safety

In compliance with the Occupational Safety and Health Act 1994, the Group's Safety and Health Department team regularly carried out inspection at construction sites within the Group operations. A total of 10 inspections were conducted in 2018 at the construction sites. Non-compliance cases were brought up and resolved at the construction site's OSH meetings.

Training was also conducted for the construction workers to ensure that they were aware of the applicable occupational health & safety rules and regulations.

### Medical Health Surveillance Program

Medical Health Surveillance Program is a preventive measure as stipulated in the Medical Surveillance 2001 Guidelines. Employees who are exposed to chemical listed in the Chemical Health Risk Assessment (CHRA) in the course of their work are subject to periodic Personal Chemical Health Monitoring screening. Regular refresher trainings are also conducted by the external chemical suppliers to instill awareness, knowledge and skills to employees in handling chemical.



Personal Chemical Exposure Monitoring (PCEM) Assessment conducted for workers exposed with harmful chemicals



**Drivers' Awareness Training**

To continually promote safe driving whether on public roads or off public roads, the Group has engaged Jabatan Keselamatan Jalan Raya (JKJR) in launching 'Driver Awareness Training' campaign. This campaign had covered 24 out of 45 locations of the Group in year 2018 whilst the remaining locations will be covered in year 2019.

**DRIVERS' AWARENESS TRAINING**



Drivers' awareness training conducted at our operation units.

**Confined Space Training for Authorized Entrant and Standby Person (AESP)**

Competent external trainers are engaged to conduct confined space training for Authorized Entrant and Standby Person (AESP) . In year 2018, the Group has engaged National Institute of Occupational Safety and Health (NIOSH) to conduct such training . Upon successful completion of the training, a trained employee would become a qualified competent person for confined space works in their respective operation unit.



AESP training conducted at NIOSH Miri.

## SUSTAINABILITY REPORT 2018 (CONT'D)

### Fire Fighting Training

In-house firefighting training and drills were conducted at respective operation unit of the Group throughout the year to keep the Emergency Response Team (ERT) of the respective operation unit ready to combat fire outbreak.



Fire Fighting Trainings and demonstrations are conducted at several estates for the premises' Emergency Response Team (ERT) personnel

Emergency Response Team of Tinbarap Palm Oil Mill participated in a firefighting competition organized by BOMBA Miri to assess the readiness and effectiveness of ERT's response during a fire emergency.



Tinbarap POM representatives taking part in the Pertandingan ERT & BOMBA Sukarela Peringkat Zon Miri.

**Other Safety & Health Related Activities**

**(i) Anti-Drug Awareness Campaign**

Anti-drug awareness campaign was held with the collaboration of Royal Police Narcotic Unit at two of the Group's operation units in year 2018 to create awareness on the serious consequences of drug abuse.



Anti- Drug Awareness Campaign held at SOP Academy.

**(ii) Anti- Aedes Mosquito Gotong - Royong Mega 2.0**

This event was held in collaboration with Jabatan Kesihatan and Jabatan Sukarelawan (RELA) Miri division so as to raise the awareness of anti-Aedes and underscore the importance of maintaining clean estate compound especially in the housing area.



Gotong-Royong Mega 2.0 held at Lambir estates' housing complex to create awareness in Dengue prevention.

## SUSTAINABILITY REPORT 2018 (CONT'D)

### Community

#### Educational

The Group continues to participate actively in the local community development through organizing economic support and social contribution programs to contribute to the needs and well-being of the local communities in areas of education, healthcare disaster relief, and others.

For year 2018, the Excellent Education Award for Young Achievers ("YAA") and Students Adoption Programme ("SAP") covered about a total 35 primary and secondary schools within the vicinity of the Group plantation estates.

#### (i) Young Achievers Award (YAA)

The YAA is awarded annually to primary and secondary school students from rural schools in the vicinity of the Group plantation estates for their outstanding academic performance.

| Year | Number of Recipients |
|------|----------------------|
| 2016 | 199                  |
| 2017 | 150                  |
| 2018 | 190                  |

### Young Achievers Award



Group photo of YAA and SAP recipients together with SOP Group representatives.



Proud YAA recipients posed for one of the album.

A YAA recipient received a certificate and cash incentive

#### (ii) Student Adoption Program (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.

| Year | Recipients |
|------|------------|
| 2016 | 91         |
| 2017 | 93         |
| 2018 | 113        |



**Student Adoption Program (SAP)**



A student received stationary set and financial assistance from SOP Group representatives under the SAP.



SAP recipients and their teachers posed for camera after the handover.

**(iii) Education Outreach in Conjunction with the Group's 50th Anniversary**

In conjunction with the Group's 50th Anniversary, a number of Education Outreach Programs were organized with the aims of inculcating importance of education amongst the school children.

**EDUCATION OUTREACH 2018**



Action Song Competition



Science and Technology Education Carnival



Public Speaking Competition

## Community Health and well-being Program

### (i) Vision Care Program

Our Vision Care Program reaches out to the nearby longhouses in the vicinity of the Group's plantation estates in collaboration with various government bodies to provide free eye-screening and check-ups as an effort to reduce the incidence of preventable blindness especially amongst children and elderly folks. The communities received free eye check-ups and transportation to visit local clinics and hospital. Spectacles and surgeries are fully funded by the Group to those in need. From year 2016 to 2018, a total of 349 residents had benefited under this program.

#### SOPB VISION CARE PROJECT 2018



Visual Acuity test for one of the participants.



A long house folk undergoing a medical review by Jepak Health Clinic staff.

### (ii) SOPB - Get Equip'd Rehabilitation Program

The Group first collaborated with Get Equip'd, an Australian-based non-profit organization in 2016, with the donation of specially designed wheelchairs to the Association of Parents of Children with Special Needs (PIBAKIS) and to patients at the occupational therapy ward of Miri General Hospital.

In year 2018, the Group donated custom-made-for-therapy benches and specially designed wheelchairs to a local non-governmental organization, Pemulihan Dalam Komuniti ("PDK") Miri, which is involved in charity work for physically impaired children and patients. Also through this program, the Group supported a 3-day professional development program in Australia for three staff of PDK Miri. The training was facilitated by a renowned physiotherapist to provide education and evidence-based therapy to enhance the skills of PDK staff in Miri.



Representatives from SOPB, PDK Miri, Get Equip'd and volunteers from Health Strides posed together for a photo during the handover of custom-made-for-therapy benches.



SOPB donated specially designed wheelchairs to PDK Miri in April.



**(iii) Blood Donation Drive**

In collaboration with Blood Transfusion Unit of Miri General Hospital and Malaysian Red Crescent Society Miri Chapter, the Group's Blood Donation Drive has become an annual event for the Group. It is held twice every year since 2015 to assist the Blood Transfusion Unit of Miri General Hospital in overcoming shortages of blood supply during critical period. In year 2018, the employees of the Group donated a total of 134 pints of blood to Miri General Hospital.



SOPB Blood Donation Drive as always, receives good response from public and SOP Family.



A token of appreciation was given to every succesful blood donor for their seflless charitable deeds to the blood donation drive.



SOPB representative handed a plaque to Blood Transfusion Unit of Miri General Hospital's as momento for Blood Donation Drive.

## SUSTAINABILITY REPORT 2018 (CONT'D)

### Natural Disaster Relief

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



Disaster relief aids to the fire victims of Rumah Usek, Sungai Kriuk, Niah.



Disaster relief aids to 11 pupils of SK Pandan and their families who had lost their home due to fire.

### Native Customary Rights (NCR) Collaboration

The Group, together with the participation of native customary rights ("NCR") land owners, has jointly developed NCR lands into oil palm plantations that serve to increase the income of NCR landowners. To date, about 2,300 hectares of NCR land had been developed into oil palm plantations with the participation of 690 NCR land owners.

### Grievance mechanism for stakeholders and human rights

In line with our Social and Community Policy, our employees are provided with various channels to voice out their grievances. Complaint & Grievance Procedures are established and Complaint/Suggestion Forms are available in every of the Group's operation units for internal stakeholders to lodge their grievance.

Besides that, a Gender Committee / Sexual Harassment Committee has been established in each of our operation units to address gender-related issues or complaints.

The Group has also a grievance mechanism for all stakeholders to report any grievance through its Whistle Blowing Policy & Procedures.

The Group is fully committed to operate in an ethical and responsible manner. There were no violations of human rights, including the rights indigenous people, for the reporting period.

GRI INDEX

| GRI STANDARDS                 | DISCLOSURE   | PAGE  | REFERENCE / RESPONSE                              |
|-------------------------------|--|---|---|
| <b>ORGANISATIONAL PROFILE</b> |  |   |   |
| 102-1                         | Name of organisation   | Cover   | Cover page  |
| 102-2                         | Activities, brands, products, and services                               | 87  | Annual report                                     |
| 102-3                         | Location of headquarters   | 7   | Corporate information                             |
| 102-4                         | Location of operations   | 197-199   | Location of properties                            |
| 102-5                         | Ownership and legal form   | 109   | Annual report                                     |
| 102-7                         | Scale of the organization  | 18  | Annual report                                     |
| 102-8                         | Information on employees and other workers                               | 43  | Sustainability report – workplace                 |
| 102-11                        | Precautionary Principle or approach                                      | 65  | Corporate governance overview statement           |
| 102-12                        | External Initiatives   | 26  | Sustainability report – policy                    |
| 102-13                        | Membership of associations   | Malaysian Palm Oil Associations (MPOA); Sarawak Oil Palms Planters Association (SOPPOA) |   |
| 102-14                        | Statement from senior decision-maker                                     | 14-16   | Chairman’s statement                              |
| 102-16                        | Values, principles, standards and norms of behavior                      | 1   | Vision, Core values                               |
| 102-18                        | Governance Structure   | 64  | Corporate governance overview statement           |
| 102-21                        | Consulting stakeholders on economic, environmental, and social topics    | 27  | Sustainability report – Stakeholder engagement    |
| 102-22                        | Composition of the highest governance body and its committees            | 64  | Corporate governance overview statement           |
| 102-23                        | Chair of the highest governance body                                     | 65  | Corporate governance overview statement           |
| 102-24                        | Nominating and selecting the highest governance body                     | 66  | Corporate governance overview statement           |
| 102 - 25                      | Conflicts of interest  | 66  | Corporate governance overview statement           |
| 102 - 26                      | Role of highest governance body in setting purpose, values, and strategy | 65  | Corporate governance overview statement           |
| 102 - 27                      | Collective knowledge of highest governance body                          | 66  | Corporate governance overview statement           |
| 102 - 28                      | Evaluating the highest governance body’s performance                     | 66  | Corporate governance overview statement           |
| 102 - 30                      | Effectiveness of risk management processes                               | 74  | Statement of Risk Management and Internal Control |

## SUSTAINABILITY REPORT 2018 (CONT'D)

| <b>GRI STANDARDS</b>          | <b>DISCLOSURE</b>  | <b>PAGE</b> | <b>REFERENCE / RESPONSE</b>                    |
|-------------------------------|--|-------------|--|
| 102 - 31                      | Review of economic, environmental, and social topics       | 65          | Corporate governance overview statement        |
| 102 - 32                      | Highest governance body's role in sustainability reporting | 65          | Corporate governance overview statement        |
| 102 - 33                      | Communicating critical concerns                            | 65          | Corporate governance overview statement        |
| 102 - 34                      | Nature and total number of critical concerns               | 65          | Corporate governance overview statement        |
| 102 - 35                      | Remuneration policies                                      | 66          | Corporate governance overview statement        |
| 102-36                        | Process for determining remuneration                       | 66          | Corporate governance overview statement        |
| <b>STAKEHOLDER ENGAGEMENT</b> |  |             |  |
| 102-40                        | List of stakeholder groups                                 | 27-28       | Sustainability report – Stakeholder engagement |
| 102-43                        | Approach to stakeholder engagement                         | 27-28       | Sustainability report – Stakeholder engagement |
| 102-44                        | Key topics and concerns raised                             | 27-28       | Sustainability report – Stakeholder engagement |
| <b>REPORTING PRACTICE</b>     |  |             |  |
| 102-45                        | Entities included in the consolidated financial statements | 87-196      | Annual report                                  |
| 102-46                        | Defining report content and topic Boundaries               | 23          | Sustainability report – About this report      |
| 102-47                        | List of material topics                                    | 26          | Sustainability report – Materiality            |
| 102-49                        | Changes in reporting                                       | None        |  |
| 102-50                        | Reporting period   | 23          | Sustainability report – About this report      |
| 102-51                        | Date of most recent report                                 | 23          | Sustainability report – About this report      |
| 102-52                        | Reporting cycle  | 23          | Sustainability report – About this report      |
| 102-53                        | Contact point for questions regarding the report           | 23          | Sustainability report – About this report      |
| 102-54                        | Claims of reporting in accordance with the GRI Standards   | 23          | Sustainability report – About this report      |
| 102-55                        | GRI context index  | 59          | GRI context index                              |

| GRI STANDARDS                       | DISCLOSURE  | PAGE  | REFERENCE / RESPONSE                                      |
|-------------------------------------|---|---|---|
| <b>ECONOMIC PERFORMANCE</b>         |   |   |   |
| 201-1                               | Direct economic value generated and distributed   | 87  | Annual report   |
| 201-3                               | Defined benefit plan obligations and other retirement plans   | 142   | Annual report   |
| 201-4                               | Financial assistance received from government   | Sustainability report – Marketplace (3MCPD collaboration) |   |
| <b>ANTI - CORRUPTION</b>            |   |   |   |
| 205-1                               | Operations assessed for risks related corruption  | Not applicable  |   |
| 205-2                               | Communication and training about anti-corruption policies and procedures  | Not applicable  |   |
| <b>ANTI - COMPETITIVE BEHAVIOUR</b> |   |   |   |
| 206-1                               | Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices  | No incidents reported                                     |   |
| <b>ENERGY</b>                       |   |   |   |
| 302-1                               | Energy consumption within organisation  | 39  | Sustainability report – Energy management                 |
| 302-4                               | Reduction of energy consumption   | 39  | Sustainability report – Energy management                 |
| <b>WATER AND EFFLUENTS</b>          |   |   |   |
| 303-1                               | Water withdrawal by source  | 36  | Sustainability report – Water management                  |
| <b>BIODIVERSITY</b>                 |   |   |   |
| 304-1                               | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 34  | Sustainability report – Environmental                     |
| 304-2                               | Significant impacts of activities, products, and services on biodiversity   | 34  | Sustainability report – Environmental                     |
| 304-3                               | Habitats protected and restored   | 34  | Sustainability report – Environmental                     |
| <b>EMISSIONS</b>                    |   |   |   |
| 305-5                               | Direct (Scope 1) GHG emissions  | 40  | Sustainability report – Environmental (Gaseous Emissions) |

## SUSTAINABILITY REPORT 2018 (CONT'D)

| GRI STANDARDS                         | DISCLOSURE  | PAGE                       | REFERENCE / RESPONSE                                    |
|---------------------------------------|---|----------------------------|---|
| <b>EFFLUENTS AND WASTE</b>            |   |                            |   |
| 306-1                                 | Water discharge by quality and destination  | 35                         | Sustainability report – Environmental (“BOD” discharge) |
| <b>ENVIRONMENTAL COMPLIANCE</b>       |   |                            |   |
| 307-1                                 | Non-compliance with environmental laws and regulations                                  | No incidents were reported |   |
| <b>OCCUPATIONAL HEALTH AND SAFETY</b> |   |                            |   |
| 403-1                                 | Occupational health and safety management system  | 49                         | Sustainability report – Occupational Safety and health  |
| 403-2                                 | Hazard identification, risk assessment and incident investigation                       | 49                         | Sustainability report – Occupational Safety and health  |
| 403-3                                 | Occupational health services  | 49                         | Sustainability report – Occupational Safety and health  |
| 403-4                                 | Worker participation, consultation, and communication on occupational health and safety | 49                         | Sustainability report – Occupational Safety and health  |
| 403-5                                 | Worker training on occupational health and safety                                       | 51                         | Sustainability report – Occupational Safety and health  |
| 403-6                                 | Promotion of worker health  | 49                         | Sustainability report – Occupational Safety and health  |
| 403-8                                 | Workers covered by an occupational health and safety management system                  | 49                         | Sustainability report – Occupational Safety and health  |
| 403-9                                 | Work-related injuries   | 49                         | Sustainability report – Occupational Safety and health  |
| 403-10                                | Work-related ill health   | 49                         | Sustainability report – Occupational Safety and health  |
| <b>TRAINING &amp; EDUCATION</b>       |   |                            |   |
| 404-1                                 | Average hours of training per year per employee   | 43                         | Sustainability report – Social (Training)               |
| 404-2                                 | Programs for upgrading employee skills and transition assistance programs               | 43                         | Sustainability report – Social                          |
| <b>NON-DISCRIMINATION</b>             |   |                            |   |
| 405-1                                 | Incidents of discrimination and corrective action taken                                 | No incidents were reported |   |



| GRI STANDARDS                      | DISCLOSURE  | PAGE | REFERENCE / RESPONSE  |
|------------------------------------|---|------|---|
| <b>RIGHTS OF INDIGENOUS PEOPLE</b> |   |      |   |
| 411-1                              | Employee training on human rights policies or procedures<br>Incidents of violations involving rights of indigenous people |      | No incidents were reported  |
| <b>HUMAN RIGHTS ASSESSMENT</b>     |   |      |   |
| 412-2                              | Employee training on human rights policies or procedures  |      | Our employees are frequently briefed / updated of the Group's Social and Community Policy |
| <b>LOCAL COMMUNITIES</b>           |   |      |   |
| 413-1                              | Operations with local community engagement, impact assessments, and development programs                                  | 54   | Sustainability report – social (community)  |
| <b>PUBLIC POLICY</b>               |   |      |   |
| 415-1                              | Political contributions   |      | There is no political contribution made   |
| <b>MARKETING AND LABELING</b>      |   |      |   |
| 417-1                              | Requirements for product and service information and labeling   | 32   | Sustainability report – marketplace (Food safety, quality and labelling)                  |
| 417-2                              | Incidents of non-compliance concerning product and service information and labeling                                       |      | No incidents were reported  |
| 417-3                              | Incidents of non-compliance concerning marketing communications   |      | No incidents were reported  |
| <b>CUSTOMER PRIVACY</b>            |   |      |   |
| 418-1                              | Substantiated complaints concerning breaches of customer privacy and losses of customer data                              | 33   | Sustainability report – marketplace (Customer privacy)                                    |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT



The Board of Directors recognizes the importance of good corporate governance and continues to be committed to ensure high standards of corporate governance are continually practiced throughout the Group to promote business prosperity, corporate responsibility and sustainable growth for the interests of all its stakeholders.

The Board of Directors is pleased to present an overview of its corporate governance in relation to the three (3) principles set out in Malaysian Code on Corporate Governance ("MCCG") published in April 2017 and also guidance given by Bursa Malaysia through its circular titled 'Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements' dated 29 November 2017.

Detailed explanation on the application of the practices of corporate governance as set out in the MCCG are reported under Corporate Governance Report (CG Report) as published in the Company's website.

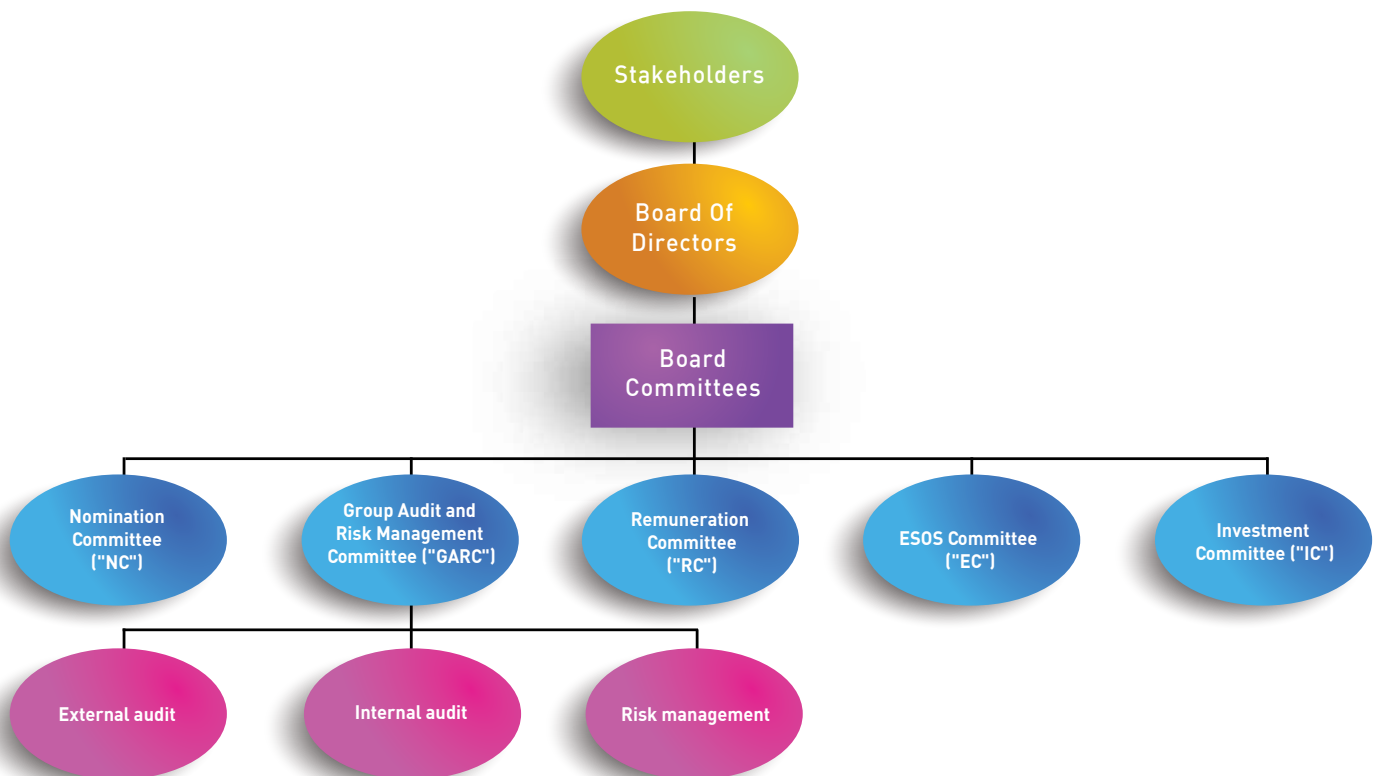
The three (3) principles of corporate governance as set out in the MCCG are:-

- Principle A: Board leadership and effectiveness;
- Principle B: Effective audit and risk management; and
- Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### Governance framework

The diagram below portrays the governance framework of SOPB Group.



### Board of Directors

The Group is led by an effective Board of Directors, comprising ten (10) members and headed by the Group Executive Chairman. Collectively, the Group Executive Chairman and all 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 to set the Group's goals, direction and strategies, and also ensure that good corporate governance practices, good systems and all necessary resources are in place for the Group to achieve its goals and objectives.

The ten (10) members of the Board comprising of (i) one Executive Director (the Group Executive Chairman) , (ii) five Non-Independent Non-Executive Directors , and (iii) four Independent Non-Executive Directors. The number of Independent Directors meets Bursa Malaysia Securities Berhad Main Market Listing Requirements which requires at least two (2) Directors or one-third (1/3) of the Board whichever is higher, to be Independent Directors.

The profile of each Director is presented on pages 8 to 12 of the Annual Report.

The Board is aware of the gender diversity agenda promulgated in the MCCG. No specific gender diversity targets have been set by the Group. Nevertheless in year 2018, there were two females (one director and one alternative director) who served as Board members. The Board acknowledges the value of individual Director appointed, regardless of gender difference, who will bring diverse opinions, perspectives, professionalism and integrity, expertise and experiences, and competency and wealth of knowledge to the Board.

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.

### Roles and Responsibilities of the Board

#### (i) Board Charter

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 spelt out in the Board Charter, which is available on the Company's website.

#### (ii) Summary of the principal duties and responsibilities of the Board include the followings:

- a. Set overall business strategies, plans and direction of the Group in promoting sustainability with balanced approach to economic, environmental and social aspects.
- 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 risk management systems to mitigate the risks.
- d. Review the adequacy and integrity of the management information and internal control systems.
- e. Ensure full compliance with Listing Requirements of Bursa Securities and all other applicable laws, regulations and statutory requirements.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Board Committees

The Board establishes Committees to assist in carrying out its duties and responsibilities. The Board delegates functions to the following Committees which had been established to assist it in the execution of its responsibilities.

#### (i) Nomination Committee ("NC")

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 assesses 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       |

The Committee meets when necessary. For the financial year ended 31 December 2018, the Committee held two (2) meetings.

#### (ii) Group Audit and Risk Management Committee ("GARC")

The GARC has been established since 1992. The composition and terms of reference of this Committee together with its report are presented on page 77 to 79 of the Annual Report.

#### (iii) Remuneration Committee ("RC")

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           |
| Monaliza Binti Zaidel               | - | Non-Independent Non-Executive Director       |

The Committee meets when necessary. For the financial year ended 31 December 2018, the Committee held one (1) meeting.

### (iv) ESOS Committee ("EC")

On the 9th August 2017, the shareholders had approved a new Employees' Share Option Scheme ("ESOS") and its related ESOS By-Laws. The new ESOS is valid for a duration of 10 years and will expire in year 2027.

The ESOS Committee was established on 9th August 2017 to oversee the allocation of ESOS Options and its administration to ensure full compliance at all times with the By-Laws.

The members of the ESOS Committee are as follows:-

|                              |                                      |
|------------------------------|--------------------------------------|
| Tan Sri Datuk Ling Chiong Ho | - Chairman, Group Executive Chairman |
| Chua Chen San                | - Independent Non-Executive Director |
| Dr. Lai Yew Hock, Dominic    | - Independent Non-Executive Director |
| Wong Hee Kwong               | - Group Chief Executive Officer      |

The Committee meets whenever necessary. For the financial year ended 31 December 2018, the Committee held one (1) meeting.

### (v) Investment Committee ("IC")

The IC was established on 29th August 2018. The Committee is responsible for evaluating, assessing, reviewing and recommending to the Board any proposed corporate exercise. Besides that, the IC appoints professional advisors, consultants, valuers, negotiators or undertakes any other necessary duties for the proposed corporate exercise.

The members of the Investment 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           |
| Monaliza Binti Zaidel               | - Non-Independent Non-Executive Director       |
| Wong Hee Kwong                      | - Group Chief Executive Officer                |

The Committee meets when necessary. For the financial year ended 31 December 2018, the Committee held two (2) meetings.

### Sustainability and Social Corporate Responsibility

The Board 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 23 to 63 of the Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Supply of Information to Board Members

Board Meetings are structured with a pre-set agenda. Board papers for the Agenda are circulated to Directors five (5) working days 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.

### Board Meetings

For the financial year ended 31 December 2018, the Board held six (6) meetings. Directors' profiles and attendance to these meetings could be found in the profiles of Board of Directors on page 8 to 12 and page 205 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.

The Attendance record of each Director is as follows:

| Directors   | No. of Meeting |
|---|----------------|
| Tan Sri Datuk Ling Chiong Ho  | 6/6            |
| Fong Yoo Kaw @ Fong Yee Kow, Victor   | 6/6            |
| Dr. Lai Yew Hock, Dominic   | 6/6            |
| Chua Chen San   | 6/6            |
| Dato Sri Haji Ahmad Tarmizi Bin Haji Sulaiman<br>Hasmawati Binti Sapawi<br>(Alternate to Dato Sri Haji Ahmad Tarmizi Bin Haji Sulaiman) | 6/6            |
| Ling Chiong Sing  | 6/6            |
| Ling Lu Kuang   | 6/6            |
| Tang Tiong Ing  | 5/6            |
| Kamri Bin Ramlee  | 6/6            |
| Monaliza Binti Zaidel (Appointed on 26 July 2018)   | 2/3            |
| Hasbi Bin Suhaili (Resigned on 8 May 2018)  | 1/2            |

### Company Secretary

The Company Secretary, Mr. Eric Kiu Kwong Seng (LS No. 0007062) assumed his role in 1998 and thus has about 20 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 that 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 recorded. 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.

### Good Business Conduct and Healthy Corporate Culture

The Board is committed to promoting good business conduct and maintaining healthy corporate culture. Towards this, the Group has promulgated the followings:

(i) Code of Business Conduct and Ethics

The Group's Code of Business Conduct and Ethics for Directors and employees governs the standards of ethics and good conduct expected of Directors and employees. The details of the Code of Business Conduct and Ethics are available on the Company's website.

(ii) Whistle blowing policy

The Group is committed to achieve and maintain high standard of integrity, transparency and fairness 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 reprisal 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 any one of the designated persons as follows in accordance with the set procedures:

- Group Executive Chairman
- Group Chief Executive Officer
- Chairman of Group Audit and Risk Management Committee

Whistle blowers may use the in-house Whistle-blowing Disclosure System, located in the Company's staff Portal, which would enable whistle blowers to make disclosures while maintaining their anonymity.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### Appointment and Re-election of Directors

The Company Constitution provides 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.

The appointment of new Director by the Board is dependent upon recommendation from the Nomination Committee. In making 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. 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.

Tenure of an independent director would not exceed a cumulative term of nine years. However, if an Independent director whose service is required beyond nine (9) years but less than twelve (12) years, shareholders' approval is sought in the Annual General Meeting. For an independent director whose service is required beyond a cumulative term of twelve (12) years, shareholders' approval through a two-tier voting process would be sought in the Annual General Meeting.

### Directors' Training and Development

All the Directors have attended and completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Training Sdn Bhd. The Board has undertaken an assessment of the training needs of each director and they were nominated to attend Continuing Education Programme 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   | Duration of training per programme, day (s) |
|--|---|
| Workshop on the Companies Act 2016 & Secretarial Practice  | 2   |
| Corporate Directors Training Programme Fundamental 2.0   | 1   |
| Mandatory Accreditation Programme (MAP)  | 2   |
| National Tax Conference 2018   | 2   |
| LHDN Seminar Percukaian Kebangsaan 2018  | 2   |
| Corporate Reporting Financial, Non-Financial & Sustainability Reporting by Listed Issuers - How to avoid Reprimands and/or Fines by the Regulators | 1   |
| Key Amendments to Listing Requirements Arising from Companies Act 2016 & Dealings in Listed Securities, Closed Period & Insider Trading            | 2   |
| Goods & Services: Tax Review after Budget 2018   | 1   |
| Malaysian Business Reporting System (MBRS)   | 2   |
| Construction Disputes & Legal Guidelines   | 2   |
| Seminar on MBRS for preparers – Financial Statement  | 2   |
| Sales Service Tax & Transitional Issues  | 1   |
| SST: Post implementation Issues & latest update  | 1   |
| 2019 National Budget Seminar   | 3   |



### 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 2018 are as follows: -

|  | COMPANY    |                    |                  |            | SUBSIDIARIES |                    |            | GROUP        |
|--|------------|--------------------|------------------|------------|--------------|--------------------|------------|--------------|
|  | Fees       | Salaries and bonus | Benefits in kind | Others     | Total        | Salaries and bonus | Others     | Total        |
|  | RM'000     | RM'000             | RM'000           | RM'000     | RM'000       | RM'000             | RM'000     | RM'000       |
| <b>EXECUTIVE</b>                                     |            |                    |                  |            |              |                    |            |              |
| Tan Sri Datuk Ling Chiong Ho                         | 60         | 2,250              | 16               | 187        | 2,513        | -                  | 73         | 2,586        |
| <b>NON-EXECUTIVE</b>                                 |            |                    |                  |            |              |                    |            |              |
| Tang Tiong Ing                                       | 60         | -                  | -                | -          | 60           | -                  | 4          | 64           |
| Ling Lu Kuang  | 60         | -                  | -                | -          | 60           | 1,059              | 23         | 1,142        |
| Dr. Lai Yew Hock, Dominic                            | 60         | -                  | -                | -          | 60           | -                  | -          | 60           |
| Chua Chen San  | 60         | -                  | -                | -          | 60           | -                  | -          | 60           |
| Fong Yoo Kaw @ Fong Yee Kow, Victor                  | 60         | -                  | -                | -          | 60           | -                  | -          | 60           |
| Ling Chiong Sing                                     | 60         | -                  | -                | -          | 60           | -                  | 44         | 104          |
| Kamri Bin Ramli                                      | 60         | -                  | -                | -          | 60           | -                  | 6          | 66           |
| Dato' Sri Haji Ahmad Tarmizi Bin Haji Sulaiman       | 60         | -                  | -                | -          | 60           | -                  | -          | 60           |
| Monaliza Binti Zaidel<br>(Appointed on 26 July 2018) | 26         | -                  | -                | -          | 26           | -                  | 12         | 38           |
| Hasbi Bin Suhaili<br>(Resigned on 8 May 2018)        | 21         | -                  | -                | -          | 21           | -                  | 17         | 38           |
| <b>TOTAL</b>   | <b>587</b> | <b>2,250</b>       | <b>16</b>        | <b>187</b> | <b>3,040</b> | <b>1,059</b>       | <b>179</b> | <b>4,278</b> |

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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### Group Audit and Risk Management Committee ("GARC")

The GARC was established to assist the Board in overseeing the Group's financial reporting process, internal controls, risk management and governance.

The Group Audit and Risk Management Committee Report is set out on page 77 to 79 of the Annual Report.

#### Risk Management and Internal Controls

The Statement on Risk Management and Internal Control is set out on page 74 to 76 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 77 to 79 of the Annual Report.

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### Integrity in Corporate 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 Management Discussion and Analysis 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.

#### Communication 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 shareholders / stakeholders is through the Investor Relations Team, Company Secretary and Group Chief Executive Officer who attend dialogue sessions with institutional investors and deliver presentations to analysts periodically.

The key elements of the Group's dialogue with its shareholders / stakeholders is the opportunity to gather view of and answer questions from both private and institutional shareholders on all issues relevant to the Group.

At AGM, the Group Executive Chairman, Group Chief Executive Officer and members of the Board 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 twenty-eight (28) working days before the meeting. 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 Board will undertake to furnish the shareholders with a written answer after the AGM. The Group Executive Chairman and Group Chief Executive Officer also addresses to the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for subsequent financial year.

All resolutions put forth for shareholders' approval at AGM are voted by poll. Polling agent and scrutineer are engaged to facilitate counting and independent verification of votes.

The Group's website, [www.sop.com.my](http://www.sop.com.my) is also used as a forum 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.

### **Corporate Governance Report**

Pursuant to Listing Requirements paragraph 15.25(2), the Corporate Governance Report which discloses the application of each Practice of the MCCG by the Group in the format prescribed by Bursa Malaysia is available at the Group's website, [www.sop.com.my](http://www.sop.com.my).

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 26 April 2019.

## 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, Intended Outcomes and Practices relating to risk management and internal controls as stipulated in the MCCG 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 Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

The Board is satisfied with adequacy and effectiveness of the Group's risk management and internal control system. The Board has received assurance from Group Chief Executive Officer (GCEO), Chief Operating Officer (COO) and Chief Financial Officer (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 effectiveness. The system of risk management and internal control consists of financial controls, operational and compliance controls, cyber security 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 entrusted 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 Team, which consists of GCEO and Heads of Department within the Group. The Group Risk Management Team reports to the Group Audit and Risk Management Committee on a quarterly basis.

The Group's risk management framework is set out in the diagram below:



### 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.

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



### 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 and regulatory requirements.

### 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 Report.

Continuous management efforts are in place to improve the internal control system. The Board is not aware of any 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 26 April 2019.

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 2018.

## MEMBERS

### *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)  
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 REPORT (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.

### COMMITTEE MEETINGS

During the financial year ended 31 December 2018, six (6) 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)) | 6/6                      |
| Dr. Lai Yew Hock, Dominic                  | 6/6                      |
| Tang Tiong Ing, CA(M)                      | 5/6                      |
| Chua Chen San CA(M)                        | 6/6                      |

The Committee met (6) 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.

### 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.

### Allocation of Share Options

Verification on the allocation of any Employee Share Options Scheme (ESOS) to ensure compliance with the provisions in the ESOS By-Laws and Listing Requirements.

### 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.

### SUMMARY ACTIVITIES OF THE 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. During the year the IA function is led by an Internal Audit Manager who has over twelve (12) years' experience in finance, accounting and internal audit, and with a team of 15 members, majority of whom are Bachelor Degree holders.

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 sixteen (16) 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 RM841,809 (2017: RM726,162).

## 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, 2016 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 2018 set out in pages 99 to 196, 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, 2016 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 26 April 2019.

## ADDITIONAL COMPLIANCES INFORMATION

### 1. NON-AUDIT FEES

The amount of non-audit fees incurred in the financial year ended 31 December 2018 to the Group's external auditors is mainly for the tax advisory and professional development services. The breakdown of the fees is as follows:

| Name of Auditor | Fees (RM) |
|-----------------|-----------|
| Ernst & Young   | 54,116    |
| KPMG            | 136,227   |
| Total           | 190,343   |

### 2. NO 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 2018 except as disclosed in the following recurrent related party transactions.

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

| Name of Transacting Party | Nature of Transaction   | Related Party #   | Year 2018 Actual (RM'000) |
|---------------------------|---|---|---------------------------|
| 1. The Company            | Purchase of diesel and petrol to oil palm estates of SOPB Group from Shin Yang Services Sdn. Bhd. ("SY Services")                             | (a) Shin Yang Holding Sdn Bhd ("SYHSB") has more than 15% indirect interest in SY Services. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup> | 164                       |
| 2. The Group              | Purchase of lubricant, spare parts, tyres and mild steel plate for the tractors and machinery from Shin Yang Trading Sdn. Bhd. ("SY Trading") | (a) SYHSB has more than 15% direct interest in SY Trading. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>                                  | 2,675                     |
| 3. The Group              | Purchase of gravel from Hollystone Quarry Sdn. Bhd. ("HQ")  | (a) SYHSB has more than 15% indirect interest in HQ. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>  | 21,866                    |

## 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 2018 Actual (RM'000) |
|---------------------------|---|---|---------------------------|
| 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") | (a) SYHSB has more than 15% indirect interest in DLT. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>   | 2,166                     |
| 5. The Group              | Provision of heavy equipment, machinery and related spare parts by Dai Lieng Machinery Sdn. Bhd. ("DLM")  | (a) SYHSB has more than 15% indirect interest in DLM. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>   | 6,110                     |
| 6. The Company            | Purchase of fresh fruit bunches from Linau Mewah Sdn. Bhd. ("LMSB")   | (a) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(b) Ling Chiong Sing <sup>(3)</sup><br>(c) Ling Lu Kuang <sup>(4)</sup><br>(d) Tang Tiong Ing <sup>(5)</sup>   | 56,517                    |
| 7. The Group              | Purchase of fresh fruit bunches from Shin Yang Forestry Sdn. Bhd. ("SYFSB")   | (a) SYHSB has more than 15% indirect interest in SYFSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup> | 2,513                     |
| 8. The Group              | Purchase of plastic bags from Kian Hang Plastic Sdn. Bhd. ("KHPSB")   | (a) SYHSB has more than 15% direct interest in KHPSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>   | 528                       |
| 9. The Group              | Land transport services from Melinau Transport Sdn. Bhd. ("MTSB")   | (a) SYHSB has more than 15% direct interest in MTSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>    | 6,933                     |
| 10. The Group             | Land transport services from Miri Belait Transport Company Sdn. Bhd. ("MBTCSB")   | (a) SYHSB has more than 15% direct interest in MBTCSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>  | 216                       |
| 11. The Group             | Purchase of motor vehicles and rental of premises from Boulevard Jaya Sdn. Bhd. ("BJSB")  | (a) SYHSB has more than 15% direct interest in BJSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>    | 209                       |

## 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 2018 Actual (RM'000) |
|---------------------------|--|--|---------------------------|
| 12. The Group             | Purchase of fresh fruit bunches, crude palm oil and/or palm kernel from Primaluck (M) Sdn. Bhd. ("PSB")                    | (a) SYHSB has more than 15% indirect interest in PSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>    | 239                       |
| 13. The Group             | Provision of shipbuilding, repairing and maintenance of ships by Shin Yang Shipyard Sdn. Bhd. ("SYSSB")                    | (a) SYHSB has more than 15% indirect interest in SYSSB. <sup>(1)</sup>   | 92                        |
| 14. The Group             | Shipping services from Shin Yang Shipping Sdn. Bhd. ("SYShipping")   | (a) SYHSB has more than 15% indirect interest in SYShipping. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup>                                  | 2,310                     |
| 15. The Group             | Purchase of chemicals from Shin Yang Chemical Sdn. Bhd. ("SYCSB")  | (a) SYHSB has more than 15% indirect interest in SYCSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>  | 1,042                     |
| 16. The Group             | Purchase of daily merchandise and general store item from Boulevard Hypermarket & Departmental Stores Sdn. Bhd. ("BHDSSB") | (a) SYHSB has more than 15% indirect interest in BHDSSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup> | 59                        |
| 17. The Group             | Purchase of daily merchandise and general store item from Boulevard Trading Sdn. Bhd. ("BTSB")                             | (a) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(b) Ling Chiong Sing <sup>(3)</sup><br>(c) Ling Lu Kuang <sup>(4)</sup><br>(d) Tang Tiong Ing <sup>(5)</sup>  | 85                        |
| 18. The Group             | Purchase of hardware item from Kian Hang Hardware Sdn. Bhd. ("KHHSB")  | (a) SYHSB has more than 15% indirect interest in KHHSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>  | 141                       |
| 19. The Group             | Purchase of cement product from Pekerjaan Piasau Konkerit Sdn. Bhd. ("PPKSB")  | (a) SYHSB has more than 15% indirect interest in PPKSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>  | 60                        |

## 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 2018 Actual (RM'000) |
|---------------------------|--|---|---------------------------|
| 20. The Group             | Purchase of industrial gas from Piasau Gas Sdn. Bhd. ("PGSB")  | (a) SYHSB has more than 15% indirect interest in PGSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>    | 472                       |
| 21. The Group             | Purchase of hydraulic hose from Piasau Hydraulic Hose Sdn. Bhd. ("PHHSB")                                    | (a) SYHSB has more than 15% indirect interest in PHHSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>   | 257                       |
| 22. The Group             | Purchase of building materials from Piasau Industries Sdn. Bhd. ("PISB")                                     | (a) SYHSB has more than 15% indirect interest in PISB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>    | 298                       |
| 23. The Group             | Purchase of fresh fruit bunches from Danum Sinar Sdn. Bhd. ("DSSB")  | (a) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(b) Ling Chiong Sing <sup>(3)</sup>  | 15,311                    |
| 24. The Group             | Purchase of fresh fruit bunches, crude palm oil and/or palm kernel from Dataran Seping Sdn. Bhd. ("DSePing") | (a) SYHSB has more than 15% indirect interest in DSePing. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup> | 3,001                     |
| 25. The Group             | Purchase of fresh fruit bunches from Selangau Plantation Sdn. Bhd. ("SPSB")                                  | (a) SYHSB has more than 15% indirect interest in SPSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>    | 1,073                     |
| 26. The Group             | Purchase of fresh fruit bunches from Dataran Linau Sdn. Bhd. ("DLSB")  | (a) SYHSB has more than 15% indirect interest in DLSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>    | 1,459                     |

## 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 2018 Actual (RM'000) |
|---------------------------|---|--|---------------------------|
| 27. The Group             | Purchase of shipping services from Melinau Shipping Sdn. Bhd. ("MSSB")  | (a) SYHSB has more than 15% indirect interest in MSSB. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup> | 121                       |
| 28. The Group             | Supply of motor vehicles and provision of maintenance services for motor vehicles by Boulevard Motor Sdn. Bhd. ("BMSB") | (a) Ling Lu Kuang has 15% indirect interest in BMSB. <sup>(1)</sup><br>(a) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(b) Ling Chiong Sing <sup>(3)</sup>  | 1,571                     |
| 29. The Group             | Provision of services of heavy machineries and vehicles by Dai Lieng Industry Sdn. Bhd. ("DLI")                         | (a) SYHSB has more than 15% indirect interest in DLI. <sup>(1)</sup><br>(b) Tan Sri Datuk Ling Chiong Ho <sup>(2)</sup><br>(c) Ling Chiong Sing <sup>(3)</sup><br>(d) Ling Lu Kuang <sup>(4)</sup><br>(e) Tang Tiong Ing <sup>(5)</sup>  | 286                       |

#### Note #

- (1) *Shin Yang Holding Sdn. Bhd. ("SYHSB"), a major shareholder of SOPB with indirect interest of 28.51% held through Shin Yang Plantation Sdn. Bhd. ("SYPSB"). SYPSB is wholly owned by Shin Yang Corporation Sdn. Bhd. ("SYCSB") and SYCSB is, in turn, wholly owned by SYHSB.*
- (2) *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, BJSB, MWSB, PPKSB, DSSB, DSeping, SPSB, DLSB and BMSB. He has substantial direct/indirect interest in SYHSB, SY Services, SY Trading, HQ, SYSM, LMSB, SYFSB, KHPSB, MTSB, MBTCSB, BJSB, MWSB, PSB, JVS, GWE, SY Shipping, SYCSB, DLT, DLM, BHDSSD, BTSB, KHHSB, PPKSB, PGSB, PHHSB, PISB, DSSB, DSeping, SPSB, DLSB, BHKS, MSSB and DLI.*
- (3) *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, BHDSSB, BTSB, KHHSB, PPKSB, PGSB, PHHSB, PISB, DSeping, SPSB, DLSB, BHKS, MSSB, BMSB and DLI. He has substantial direct/indirect interest in SYHSB, DLT, DLM, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, MBTCSB, PSB, JVS, GWE, SY Shipping, SYCSB, BJSB, MWSB, BHDSSB, BTSB, KHHSB, PPKSB, PGSB, PHHSB, PISB, DSSB, DSeping, SPSB, DLSB, BHKS, MSSB and DLI.*
- (4) *Ling Lu Kuang is the Non-Executive Director of SOPB. He is a deemed person connected to Tan Sri Datuk Ling Chiong Ho and also authorized representative of Shin Yang Group.*
- (5) *Tang Tiong Ing is the Non-Executive Director, member of the Audit and Risk Management Committee and Nomination Committee of SOPB. He is authorized representative and also an employee of Shin Yang Group.*

### 4. ADDITIONAL ESOS INFORMATION

Pursuant to paragraph 27, Part A, Appedix 9C of the Listing Requirements of Bursa Malaysia, the aggregate maximum allocation of ESOS applicable to Directors and Senior Management is up to 50%. Since the commencement of the ESOS up to 31 December 2018, approximately 30% of the options were granted to Directors and Senior Management.



## Financial Statements

|    |                              |     |                                    |
|----|------------------------------|-----|------------------------------------|
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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 2018.

## 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<br>RM'000 | Company<br>RM'000 |
|---------------------------|-----------------|-------------------|
| Profit net of tax         | 67,907          | 55,293            |
| Profit attributable to:   |                 |                   |
| Owners of the Company     | 62,502          | 55,293            |
| Non-controlling interests | 5,405           | -                 |
|                           | 67,907          | 55,293            |

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 2017 were as follows:

|  | RM'000 |
|--|--------|
| In respect of the financial year ended 31 December 2017 as reported in the Directors' report of that year: |        |
| First and final single-tier dividend of 6% on 570,874,146 ordinary shares paid on 20 July 2018             | 34,252 |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2018, of 5 sen per ordinary share on 570,874,146 ordinary shares, amounting to a dividend payable of RM28,543,707 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 2019.

## 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 Lu Kuang **   |                          |
| Ling Chiong Sing **  |                          |
| Tang Tiong Ing **  |                          |
| Fong Yoo Kaw @ Fong Yee Kow                                      |                          |
| Dr. Lai Yew Hock   |                          |
| Hasbi Bin Suhaili **   | (Resigned on 8.5.2018)   |
| Kamri Bin Ramlee **  |                          |
| Chua Chen San  |                          |
| Dato Sri Haji Ahmad Tarmizi Bin Sulaiman                         |                          |
| Monaliza Binti Zaidel **   | (Appointed on 26.7.2018) |
| Hasmawati Binti Sapawi   |                          |
| (Alternate Director to Dato Sri Haji Ahmad Tarmizi Bin Sulaiman) |                          |

\*\* These Directors are also Directors of the Company's subsidiaries.

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of the report (not including those Directors listed above) are:

|  |                          |
|--|--------------------------|
| Abdul Kadir @ Kadir Bin Zainuddin                                  |                          |
| Azmi Bin Bujang  |                          |
| Chan Kim Hong  |                          |
| Cheang Chu King  | (Appointed on 28.5.2018) |
| Chua Chin Wei  |                          |
| Chua Kian Hong   |                          |
| Datu Dr. Haji Sulaiman Bin Husaini                                 | (Resigned on 3.8.2018)   |
| Datu Haji Sarudu Bin Hoklai  |                          |
| Datu Sajeli Bin Kipli  |                          |
| Datuk Tan Thian Siang  |                          |
| Eric Kiu Kwong Seng  |                          |
| George Lentton Anak Indang   |                          |
| Tuan Haji Abdul Hadi Bin Abdul Kadir                               | (Appointed on 14.2.2019) |
| John Wayne Anak Chamberlin Sirau                                   |                          |
| Kong Lee Luang   |                          |
| Loh Poh Hwa  | (Resigned on 28.5.2018)  |
| Mersal Bin Abang Rosli   |                          |
| Mohammad Faisal Bin Jaffar (Alternate Director to Azmi Bin Bujang) |                          |
| Tuan Haji Soedirman Hj Aini  | (Resigned on 14.2.2019)  |
| Wong Hee Kwong   |                          |
| Wong Kai Song  |                          |

### 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 34 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              |                      |         |                        |                        |
|-------------------------------------|--|----------------------|---------|------------------------|------------------------|
|                                     | At<br>1 January 2018                   | Bought               | Sold    | At<br>31 December 2018 |                        |
| <b>The Company</b>                  |  |                      |         |                        |                        |
| <b>Direct interest</b>              |  |                      |         |                        |                        |
| Tan Sri Datuk Ling Chiong Ho        | 40,047,600                             | -                    | -       | 40,047,600             |                        |
| Tang Tiong Ing                      | 224,845                                | -                    | -       | 224,845                |                        |
| Dr. Lai Yew Hock                    | 50,657                                 | -                    | -       | 50,657                 |                        |
| <b>Deemed interest</b>              |  |                      |         |                        |                        |
| Tan Sri Datuk Ling Chiong Ho        | 162,787,900                            | -                    | -       | 162,787,900            |                        |
| Ling Lu Kuang                       | 10,500,000                             | 22,750,000           | -       | 33,250,000             |                        |
| Ling Chiong Sing                    | 162,787,900                            | -                    | -       | 162,787,900            |                        |
| <b>Share options of the Company</b> |  |                      |         |                        |                        |
|                                     | Number of options over ordinary shares |                      |         |                        |                        |
|                                     | Exercise<br>Price<br>RM3.60            | At<br>1 January 2018 | Granted | Exercised              | At<br>31 December 2018 |
| Tan Sri Datuk Ling Chiong Ho        |  | 5,707,900            | -       | -                      | 5,707,900              |
| Ling Lu Kuang                       |  | 2,853,900            | -       | -                      | 2,853,900              |
| Ling Chiong Sing                    |  | 150,000              | -       | -                      | 150,000                |
| Tang Tiong Ing                      |  | 150,000              | -       | -                      | 150,000                |
| Fong Yoo Kaw @ Fong Yee Kow         |  | 150,000              | -       | -                      | 150,000                |
| Dr. Lai Yew Hock                    |  | 150,000              | -       | -                      | 150,000                |
| Kamri Bin Ramlee                    |  | 150,000              | -       | -                      | 150,000                |
| Chua Chen San                       |  | 150,000              | -       | -                      | 150,000                |

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)

### DIRECTORS' REMUNERATION

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Executive:</b>   |                |                |                |                |
| Bonus   | 750            | 518            | 750            | 518            |
| Fees  | 132            | 137            | 60             | 64             |
| Other emoluments  | 1,690          | 1,738          | 1,690          | 1,738          |
| Estimated money value of benefits-in-kind                                       | 16             | 20             | 16             | 20             |
| <b>Total executive directors' remuneration<br/>(including benefits-in-kind)</b> | <b>2,588</b>   | <b>2,413</b>   | <b>2,516</b>   | <b>2,340</b>   |
| <b>Non-executive:</b>   |                |                |                |                |
| Bonus   | 329            | -              | -              | -              |
| Fees  | 633            | 676            | 527            | 547            |
| Other emoluments  | 758            | 747            | 28             | -              |
| <b>Total non-executive directors' remuneration</b>                              | <b>1,720</b>   | <b>1,423</b>   | <b>555</b>     | <b>547</b>     |
| <b>Total directors' remuneration</b>  | <b>4,308</b>   | <b>3,836</b>   | <b>3,071</b>   | <b>2,887</b>   |

Included in the analysis above is remuneration for Directors of the Company in accordance with the requirements of Companies Act 2016.

### ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from 570,818,246 to 570,874,146 by way of the issuance of 55,900 ordinary shares for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM3.60 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 previous Employee Share Options Scheme (“ESOS”) implemented by Sarawak Oil Palms Berhad on 12 March 2007 for a period of 10 years has expired on 12 March 2017.

The new ESOS was approved by the shareholders at the Extraordinary General Meeting held on 9 August 2017. The ESOS was implemented on 19 September 2017 and 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 35 to the financial statements.

During the financial year, the Company granted 1,529,000 share options under the scheme. These options expire on 18 September 2027 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 2018 are as follows:

| Expiry date                     | Exercise price<br>RM | Number of options |
|---------------------------------|----------------------|-------------------|
| 2017 Grant<br>18 September 2027 | 3.60                 | 36,959,300        |
| 2018 Grant<br>18 September 2027 | 3.12                 | 1,529,000         |

**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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - ii) to ensure that any current assets which were unlikely to realise 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

## DIRECTORS' REPORT (CONT'D)

### OTHER STATUTORY INFORMATION (Continued)

- 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.

### INDEMNITY AND INSURANCE COSTS

The Company maintained a Directors' and Officers' Liability Insurance to provide appropriate insurance cover for the Directors and Officers of the Company. The total amount of insurance premium for the Directors' and Officers' Liability Insurance of the Company and its subsidiaries for the financial year was RM175,000. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

### AUDITORS

The auditors, Ernst & Young, retire and do not seek re-appointment. Auditors' remunerations are disclosed in Note 9 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 April 2019.

**Tan Sri Datuk Ling Chiong Ho**

**Tang Tiong Ing**

**STATEMENT BY DIRECTORS**  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

---

We, **Tan Sri Datuk Ling Chiong Ho** 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 99 to 196 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 April 2019.

**Tan Sri Datuk Ling Chiong Ho**

**Tang Tiong Ing**

**STATUTORY DECLARATION**  
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

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 99 to 196 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 26 April 2019.

**Tho Kheng Chiang (MIA 37095)**

Before me,

**Jagjeet Kaur**  
Commissioner For Oaths (No. Q050)  
Lot 1155-1154, 1st Floor, Miri Waterfront Commercial Centre  
Jalan Bendahara, 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 2018 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 99 to 196.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for opinion

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

#### 1. *Impairment assessment of Bearer Plants*

The Group and the Company operate oil palm plantations with carrying amounts of bearer plants at RM1.03 billion and RM107 million respectively as at 31 December 2018 as stated in Note 15 to the financial statements. These represented 25% and 4% of the Group's and the Company's total assets.

The Group and the Company are required to perform an impairment test of the cash generating units ("CGU") or group of CGUs where there is an indication that a CGU or group of CGUs may be impaired by comparing the carrying amount with its recoverable amount.

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 amount of the bearer plants, the carrying amount of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss.



## **Key audit matters (Continued)**

### *1. Impairment assessment of Bearer Plants (Continued)*

Value-in-use is the present value of the future cash flows expected to be derived from the CGU. FV represents an estimate of the amount receivable in the event the plantation is sold on a willing buyer and a willing seller basis.

The impairment assessment of the bearer plants 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.

### *2. Impairment assessment of goodwill*

The carrying amount of goodwill of the Group was RM168 million as at 31 December 2018, as stated in Note 20 to the financial statements. Under MFRS 136, the Group is required to test the amount of goodwill for impairment annually, regardless whether there is any indication of impairment.

The Group estimated the recoverable amount of the cash generating units (CGUs) to which the goodwill is allocated based on the asset's VIU.

The impairment assessment of goodwill 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 to which goodwill have been allocated.

In relation to 1. and 2. above, the assumptions used to calculate VIU include estimates of future yields, prices, age of palms, operating costs and discount rate. Our audit procedures included evaluating management's definition of a CGU and their assessment of impairment indicators. We examined 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 and yields. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 20 to the financial statements. We also evaluated the adequacy of disclosures of the key assumptions used in determining the net cash inflows.

### *3. Impairment assessment of investment in subsidiaries*

As at 31 December 2018, the carrying value of investment in subsidiaries of the Company was RM1.50 billion, representing approximately 62% of the total assets of the Company.

The Company considered the internal and external indication of impairment in relation to the investment in subsidiaries as at year end. Accordingly, the Company performed an impairment assessment to determine the recoverable amount of its investment in subsidiaries.

We identified the impairment assessment as an area of focus as the impairment assessment is complex and highly judgemental and the carrying amount of investment in subsidiaries is significant to the Company. It involves assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining an appropriate discount rate to determine the present value of future cash flows.

# INDEPENDENT AUDITORS' REPORT (CONT'D)

## TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD – 7949-M (INCORPORATED IN MALAYSIA)

### Key audit matters (Continued)

#### 3. *Impairment assessment of investment in subsidiaries (Continued)*

In addressing this area of audit focus, we performed, amongst others, the following procedures:

- 1) we obtained an understanding of the methodology adopted by the management in estimating the recoverable amount;
- 2) we assessed the key assumptions used, focusing on projected yield and commodity prices, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes;
- 3) we assessed the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset;
- 4) we assessed the sensitivity of the cash flows to changes in the discount rates and key assumptions; and
- 5) we evaluated the adequacy of disclosures of the key assumptions on which the Company has based in its cash flow projections. Key assumptions are those to which the recoverable amount is most sensitive and are disclosed in Note 20 to the financial statements.

The accounting policy on Impairment assessment of investment in subsidiaries is disclosed in Notes 2.11 to the financial statements.

### 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 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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 other legal and regulatory requirements**

In accordance with the requirements of the Company Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 18 to the financial statements.

**Other matters**

1. As stated in Note 2.1 to the financial statements, Sarawak Oil Palms Berhad adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of profit or loss, statements of changes in equity and statements of cash flows for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as of 31 December 2018 and financial performance and cash flows for the year then ended.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Ernst & Young**  
AF: 0039  
Chartered Accountants

**Yong Nyet Yun**  
02708/04/2020 J  
Chartered Accountant

Miri, Malaysia  
26 April 2019

**STATEMENTS OF PROFIT OR LOSS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Revenue</b>  | 4    | 3,603,898      | 4,913,351      | 914,444        | 1,216,550      |
| Cost of sales   | 5    | (3,379,765)    | (4,394,198)    | (787,921)      | (976,457)      |
| <b>Gross profit</b>   |      | 224,133        | 519,153        | 126,523        | 240,093        |
| Fair value gain on biological assets  |      | 8,745          | 15,981         | 687            | 1,818          |
| Other income  | 6    | 51,677         | 43,632         | 19,985         | 21,734         |
| Selling and marketing expenses  |      | (99,602)       | (145,450)      | (51,885)       | (62,488)       |
| Administrative expenses   |      | (27,870)       | (37,742)       | (9,939)        | (6,956)        |
| Other operating expenses  |      | (7,440)        | (5,151)        | (13,540)       | (12,674)       |
| <b>Operating profit</b>   |      | 149,643        | 390,423        | 71,831         | 181,527        |
| Finance income  | 7    | 21,675         | 19,871         | 14,616         | 21,403         |
| Finance costs   | 8    | (62,321)       | (57,345)       | (11,304)       | (10,498)       |
| Share of results of associates  |      | -              | (1,491)        | -              | -              |
| <b>Profit before tax</b>  | 9    | 108,997        | 351,458        | 75,143         | 192,432        |
| Income tax expense  | 12   | (41,090)       | (99,168)       | (19,850)       | (33,101)       |
| <b>Profit net of tax</b>  |      | 67,907         | 252,290        | 55,293         | 159,331        |
| <b>Profit attributable to:</b>  |      |                |                |                |                |
| Owners of the Company   |      | 62,502         | 232,922        | 55,293         | 159,331        |
| Non-controlling interests   |      | 5,405          | 19,368         | -              | -              |
|   |      | 67,907         | 252,290        | 55,293         | 159,331        |
| <b>Earnings per share attributable to owners of the Company (sen per share)</b> |      |                |                |                |                |
| Basic   | 13   | 10.95          | 40.81          |                |                |
| Diluted   | 13   | 10.95          | 40.76          |                |                |

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Profit net of tax   |      | 67,907         | 252,290        | 55,293         | 159,331        |
| <b>Other comprehensive income:</b>  |      |                |                |                |                |
| Other comprehensive income that will be reclassified to profit or loss in subsequent periods: |      |                |                |                |                |
| Foreign currency translation  |      | (314)          | (223)          | -              | -              |
| Fair value adjustment on cash flow hedge  |      | 1,459          | 408            | -              | -              |
| Income tax relating to components of other comprehensive income                               | 12   | (350)          | (98)           | -              | -              |
| Transferred of cash flow hedge to profit or loss  |      | -              | 58             | -              | -              |
| <b>Other comprehensive income for the year, net of tax</b>                                    |      | 795            | 145            | -              | -              |
| <b>Total comprehensive income for the year</b>  |      | 68,702         | 252,435        | 55,293         | 159,331        |
| <b>Total comprehensive income attributable to:</b>  |      |                |                |                |                |
| Owners of the Company   |      | 63,297         | 233,067        | 55,293         | 159,331        |
| Non-controlling interests   |      | 5,405          | 19,368         | -              | -              |
|   |      | 68,702         | 252,435        | 55,293         | 159,331        |

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

**STATEMENTS OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2018

|                               | Note | Group                |                      | Company              |                      |
|-------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                               |      | 31.12.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.12.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| <b>Assets</b>                 |      |                      |                      |                      |                      |
| <b>Non-current assets</b>     |      |                      |                      |                      |                      |
| Property, plant and equipment | 14   | 1,559,560            | 1,547,257            | 212,021              | 223,242              |
| Bearer plants                 | 15   | 1,028,805            | 1,030,946            | 107,048              | 79,006               |
| Inventories                   | 16   | 37,483               | 41,102               | -                    | -                    |
| Land use rights               | 17   | 4,996                | 5,016                | -                    | -                    |
| Investment in subsidiaries    | 18   | -                    | -                    | 1,498,427            | 1,498,477            |
| Investment in associates      | 19   | -                    | -                    | -                    | 45                   |
| Intangible asset              | 20   | 168,123              | 168,123              | -                    | -                    |
| Derivatives                   | 23   | 1,952                | 544                  | -                    | -                    |
| Deferred tax assets           | 29   | 55,880               | 55,930               | -                    | -                    |
|                               |      | 2,856,799            | 2,848,918            | 1,817,496            | 1,800,770            |
|                               |      |                      |                      |                      | 1,334,767            |
| <b>Current assets</b>         |      |                      |                      |                      |                      |
| Inventories                   | 16   | 325,228              | 371,944              | 68,613               | 61,673               |
| Trade and other receivables   | 21   | 232,693              | 383,649              | 317,229              | 320,811              |
| Other current assets          | 22   | 3,769                | 5,142                | 425                  | 405                  |
| Derivatives                   | 23   | 1,593                | 9,088                | -                    | 2,432                |
| Tax recoverable               | 24   | 42,676               | 15,753               | 13,769               | 5,486                |
| Biological assets             | 24   | 8,745                | 15,981               | 687                  | 1,818                |
| Cash and bank balances        | 25   | 654,510              | 639,177              | 210,536              | 183,695              |
|                               |      | 1,269,214            | 1,440,734            | 611,259              | 576,320              |
|                               |      |                      |                      |                      | 935,250              |
| <b>Total assets</b>           |      | 4,126,013            | 4,289,652            | 2,428,755            | 2,377,090            |
|                               |      |                      |                      |                      | 2,270,017            |

# STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2018

|   | Note | Group                |                      | Company              |                      |
|---|------|----------------------|----------------------|----------------------|----------------------|
|   |      | 31.12.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.12.2018<br>RM'000 | 31.12.2017<br>RM'000 |
| <b>Equity and liabilities</b>           |      |                      |                      |                      |                      |
| <b>Current liabilities</b>              |      |                      |                      |                      |                      |
| Loans and borrowings                    | 26   | 515,035              | 615,890              | 19,890               | 17,418               |
| Trade and other payables                | 27   | 232,235              | 295,133              | 83,809               | 85,068               |
| Government grants                       | 28   | 796                  | 796                  | -                    | -                    |
| Income tax payable                      |      | 1,048                | 1,878                | 706                  | 706                  |
| Derivatives                             | 23   | 1,847                | 4,853                | -                    | -                    |
| Land premium payable                    |      | -                    | -                    | -                    | -                    |
|   |      | 750,961              | 918,550              | 104,405              | 103,192              |
|   |      | 518,253              | 522,184              | 506,854              | 473,128              |
| <b>Net current assets/(liabilities)</b> |      |                      |                      |                      |                      |
|   |      |                      | 1,719,702            |                      | 308,934              |
|   |      |                      | (247,515)            |                      | 626,316              |
| <b>Non-current liabilities</b>          |      |                      |                      |                      |                      |
| Loans and borrowings                    | 26   | 756,819              | 796,991              | 206,736              | 187,866              |
| Derivatives                             | 23   | -                    | -                    | -                    | -                    |
| Government grants                       | 28   | 14,170               | 14,436               | -                    | -                    |
| Deferred tax liabilities                | 29   | 353,233              | 345,844              | 45,776               | 40,658               |
| Land premium payable                    |      | -                    | -                    | -                    | -                    |
|   |      | 1,124,222            | 1,157,271            | 252,512              | 228,524              |
|   |      | 1,875,183            | 2,075,821            | 356,917              | 331,716              |
| <b>Total liabilities</b>                |      |                      |                      |                      |                      |
|   |      | 2,250,830            | 2,213,831            | 2,071,838            | 2,045,374            |
| <b>Net assets</b>                       |      |                      |                      |                      |                      |
|   |      |                      | 1,991,109            |                      | 1,902,416            |
|   |      |                      |                      |                      | 58,667               |



**STATEMENTS OF FINANCIAL POSITION (CONT'D)**  
AS AT 31 DECEMBER 2018

|   | Note | Group                |                      | Company              |                             |
|---|------|----------------------|----------------------|----------------------|-----------------------------|
|   |      | 31.12.2018<br>RM'000 | 31.12.2017<br>RM'000 | 31.12.2018<br>RM'000 | 31.12.2017<br>RM'000        |
| <b>Equity attributable to owners of the Company</b> |      |                      |                      |                      |                             |
| Share capital                                       | 30   | 820,085              | 819,860              | 820,085              | 819,860                     |
| Share premium                                       | 30   | -                    | -                    | -                    | -                           |
| Employee share option reserve                       | 31   | 15,805               | 10,607               | 15,805               | 10,607                      |
| Other reserves                                      | 32   | 2,894                | 2,099                | -                    | -                           |
| Retained earnings                                   |      | 1,303,852            | 1,275,602            | 1,235,948            | 1,214,907                   |
|   |      | 2,142,636            | 2,108,168            | 2,071,838            | 2,045,374                   |
| <b>Non-controlling interests</b>                    |      | 108,194              | 105,663              | -                    | -                           |
| <b>Total equity</b>                                 |      | 2,250,830            | 2,213,831            | 2,071,838            | 2,045,374                   |
| <b>Total equity and liabilities</b>                 |      | 4,126,013            | 4,289,652            | 2,428,755            | 2,377,090                   |
|   |      |                      |                      |                      | As at<br>1.1.2017<br>RM'000 |
|   |      |                      |                      |                      | 570,111                     |
|   |      |                      |                      |                      | 246,844                     |
|   |      |                      |                      |                      | 7,695                       |
|   |      |                      |                      |                      | 1,954                       |
|   |      |                      |                      |                      | 1,064,870                   |
|   |      |                      |                      |                      | 1,891,474                   |
|   |      |                      |                      |                      | 99,635                      |
|   |      |                      |                      |                      | 1,991,109                   |
|   |      |                      |                      |                      | 4,357,597                   |
|   |      |                      |                      |                      | 2,428,755                   |
|   |      |                      |                      |                      | 2,377,090                   |
|   |      |                      |                      |                      | 1,902,416                   |
|   |      |                      |                      |                      | -                           |
|   |      |                      |                      |                      | 1,902,416                   |
|   |      |                      |                      |                      | -                           |
|   |      |                      |                      |                      | 2,270,017                   |

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 2018

| Group  | Note | Attributable to Equity Holders of the Company |                               |                      |                      |                                      |                       |                          |                                  |  |   |
|--|------|---|-------------------------------|----------------------|----------------------|--------------------------------------|-----------------------|--------------------------|----------------------------------|--|---|
|  |      | Equity, total RM'000                          | Equity, Company, total 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-controlling interests RM'000 | Equity attributable to owners of the Company | Attributable to Equity Holders of the Company |
| Opening balance at 1 January 2018                          |      | 2,213,831                                     | 2,108,168                     | 819,860              | -                    | 10,607                               | 2,099                 | 1,275,602                | 105,663                          |  |   |
| Profit net of tax  |      | 67,907  | 62,502                        | -                    | -                    | -                                    | -                     | 62,502                   | 5,405                            |  |   |
| Other comprehensive income                                 |      | 795   | 795                           | -                    | -                    | -                                    | 795                   | -                        | -                                |  |   |
| Total comprehensive income                                 |      | 68,702  | 63,297                        | -                    | -                    | -                                    | 795                   | 62,502                   | 5,405                            |  |   |
| Dividend paid to non-controlling interests in subsidiaries |      | (3,240)                                       | -                             | -                    | -                    | -                                    | -                     | -                        | (3,240)                          |  |   |
| Dividends on ordinary shares                               | 41   | (34,252)                                      | (34,252)                      | -                    | -                    | -                                    | -                     | (34,252)                 | -                                |  |   |
| Acquisition of a subsidiary                                |      | 366   | -                             | -                    | -                    | -                                    | -                     | -                        | 366                              |  |   |
| Issuance of ordinary shares                                |      |   |                               |                      |                      |                                      |                       |                          |                                  |  |   |
| Pursuant to exercise of share options                      | 30   | 202   | 202                           | 202                  | -                    | -                                    | -                     | -                        | -                                |  |   |
| Share options granted under ESOS                           | 31   | 5,221   | 5,221                         | -                    | -                    | 5,221                                | -                     | -                        | -                                |  |   |
| Exercise of share options                                  |      | -   | -                             | 23                   | -                    | (23)                                 | -                     | -                        | -                                |  |   |
| Closing balance at 31 December 2018                        |      | 2,250,830                                     | 2,142,636                     | 820,085              | -                    | 15,805                               | 2,894                 | 1,303,852                | 108,194                          |  |   |

**STATEMENTS OF CHANGES IN EQUITY (CONT'D)**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| Group  | Note | Attributable to Equity Holders of the Company              |                      |                      |                                      |                       |                          |                                  |          |  |  |
|--|------|--|----------------------|----------------------|--------------------------------------|-----------------------|--------------------------|----------------------------------|----------|--|--|
|  |      | 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 | Retained earnings RM'000 | Non-controlling interests RM'000 |          |  |  |
| Opening balance at 1 January 2017                          |      | 1,991,109  | 1,891,474            | 570,111              | 246,844                              | 7,695                 | 1,954                    | 1,064,870                        | 99,635   |  |  |
| Profit net of tax  |      | 252,290  | 232,922              | -                    | -                                    | -                     | -                        | 232,922                          | 19,368   |  |  |
| Other comprehensive income                                 |      | 145  | 145                  | -                    | -                                    | -                     | 145                      | -                                | -        |  |  |
| Total comprehensive income                                 |      | 252,435  | 233,067              | -                    | -                                    | -                     | 145                      | 232,922                          | 19,368   |  |  |
| Dividend paid to non-controlling interests in subsidiaries |      | (13,340)   | -                    | -                    | -                                    | -                     | -                        | -                                | (13,340) |  |  |
| Dividends on ordinary shares                               | 41   | (28,540)   | (28,540)             | -                    | -                                    | -                     | -                        | (28,540)                         | -        |  |  |
| Issuance of ordinary shares                                |      |  |                      |                      |                                      |                       |                          |                                  |          |  |  |
| Pursuant to exercise of share options                      | 30   | 1,549  | 1,549                | 1,516                | 33                                   | -                     | -                        | -                                | -        |  |  |
| Share options granted under ESOS                           | 31   | 10,618   | 10,618               | -                    | -                                    | 10,618                | -                        | -                                | -        |  |  |
| Exercise of share options                                  |      | -  | -                    | 1,356                | -                                    | (1,356)               | -                        | -                                | -        |  |  |
| Reversal of employee share option reserve                  |      | -  | -                    | -                    | -                                    | (6,350)               | -                        | 6,350                            | -        |  |  |
| Transfer pursuant to Companies Act 2016                    |      | -  | -                    | 246,877              | (246,877)                            | -                     | -                        | -                                | -        |  |  |
| Closing balance at 31 December 2017                        |      | 2,213,831  | 2,108,168            | 819,860              | -                                    | 10,607                | 2,099                    | 1,275,602                        | 105,663  |  |  |

**STATEMENTS OF CHANGES IN EQUITY (CONT'D)**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| <b>Company</b>   | <b>Note</b> | <b>Equity, total<br/>RM'000</b> | <b>Share capital<br/>RM'000</b> | <b>Share premium<br/>RM'000</b> | <b>Employee share option reserve<br/>RM'000</b> | <b>Retained earnings<br/>RM'000</b> |
|--|-------------|---------------------------------|---------------------------------|---------------------------------|---|-------------------------------------|
| Opening balance at 1 January 2018                          |             | 2,045,374                       | 819,860                         | -                               | 10,607  | 1,214,907                           |
| Profit net of tax, representing total comprehensive income |             | 55,293                          | -                               | -                               | -   | 55,293                              |
| Dividends on ordinary shares                               | 41          | (34,252)                        | -                               | -                               | -   | (34,252)                            |
| Issuance of ordinary shares:                               |             |                                 |                                 |                                 |   |                                     |
| Pursuant to exercise of share options                      | 30          | 202                             | 202                             | -                               | -   | -                                   |
| Share options granted under ESOS:                          |             |                                 |                                 |                                 |   |                                     |
| Recognised in profit or loss                               | 31          | 1,937                           | -                               | -                               | 1,937   | -                                   |
| Charged to subsidiaries                                    | 31          | 3,284                           | -                               | -                               | 3,284   | -                                   |
| Exercise of share options                                  | 31          | -                               | 23                              | -                               | (23)  | -                                   |
| Closing balance at 31 December 2018                        |             | 2,071,838                       | 820,085                         | -                               | 15,805  | 1,235,948                           |
| Opening balance at 1 January 2017                          |             | 1,902,416                       | 570,111                         | 246,844                         | 7,695   | 1,077,766                           |
| Profit net of tax, representing total comprehensive income |             | 159,331                         | -                               | -                               | -   | 159,331                             |
| Dividends on ordinary shares                               | 41          | (28,540)                        | -                               | -                               | -   | (28,540)                            |
| Issuance of ordinary shares:                               |             |                                 |                                 |                                 |   |                                     |
| Pursuant to exercise of share options                      | 30          | 1,549                           | 1,516                           | 33                              | -   | -                                   |
| Share options granted under ESOS:                          |             |                                 |                                 |                                 |   |                                     |
| Recognised in profit or loss                               | 31          | 3,979                           | -                               | -                               | 3,979   | -                                   |
| Charged to subsidiaries                                    | 31          | 6,639                           | -                               | -                               | 6,639   | -                                   |
| Exercise of share options                                  | 31          | -                               | 1,356                           | -                               | (1,356)   | -                                   |
| Reversal of employee share option reserve                  | 31          | -                               | -                               | -                               | (6,350)   | 6,350                               |
| Transfer pursuant to Companies Act 2016                    |             | -                               | 246,877                         | (246,877)                       | -   | -                                   |
| Closing balance at 31 December 2017                        |             | 2,045,374                       | 819,860                         | -                               | 10,607  | 1,214,907                           |

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Operating activities</b>                                   |      |                |                |                |                |
| Profit before tax   |      | 108,997        | 351,458        | 75,143         | 192,432        |
| <b>Adjustments for:</b>                                       |      |                |                |                |                |
| Fair value changes of biological assets                       |      | 7,236          | 8,314          | 1,131          | 593            |
| Amortisation of land use rights                               | 17   | 100            | 98             | -              | -              |
| Amortisation of bearer plants                                 | 15   | 52,451         | 49,771         | 3,610          | 2,150          |
| Amortisation of government grant                              | 28   | (796)          | (398)          | -              | -              |
| Depreciation of property, plant and equipment                 | 14   | 89,750         | 90,715         | 27,553         | 33,471         |
| Allowance for impairment loss on trade receivables            | 9    | 458            | 18             | -              | -              |
| Bearer plants written off                                     | 9    | 387            | 3,016          | 387            | 849            |
| Dividend income   | 4    | -              | -              | (11,043)       | (63,130)       |
| Fair value changes on derivatives                             | 6,9  | 4,426          | (21,809)       | 2,432          | (2,214)        |
| Finance income  | 7    | (21,675)       | (19,871)       | (14,616)       | (21,403)       |
| Reserve on consolidation                                      | 6    | (413)          | -              | -              | -              |
| Gain on disposal of property, plant and equipment             | 6    | (349)          | (1,457)        | (817)          | (5,570)        |
| Gain on disposal of bearer plants                             | 6    | (46)           | (1,352)        | -              | (1,308)        |
| (Gain)/Loss on disposal of an associate                       | 6,9  | -              | (582)          | 45             | -              |
| Finance costs   | 8    | 62,321         | 57,345         | 11,304         | 10,498         |
| Inventories written down                                      | 9    | 554            | -              | -              | -              |
| Inventories written off                                       | 9    | 7              | 7              | -              | -              |
| Impairment loss on other receivables                          | 9    | 289            | -              | 2              | -              |
| Impairment loss on property, plant and equipment              | 9    | -              | 280            | -              | -              |
| Impairment loss on a subsidiary                               | 9    | -              | -              | -              | 7,273          |
| Property, plant and equipment written off                     | 9    | 691            | 621            | 21             | 40             |
| Unrealised loss/(gain) on foreign exchange                    |      | 2,317          | (2,693)        | (46)           | 42             |
| Share options granted under ESOS                              | 31   | 5,221          | 10,618         | 1,937          | 3,979          |
| Share of results of an associate                              |      | -              | 1,491          | -              | -              |
| Total adjustments   |      | 202,929        | 174,132        | 21,900         | (34,730)       |
| <b>Operating cash flows before changes in working capital</b> |      | 311,926        | 525,590        | 97,043         | 157,702        |
| Decrease/(Increase) in inventories                            |      | 50,635         | (41,810)       | (6,940)        | (9,787)        |
| Decrease/(Increase) in trade and other receivables            |      | 151,703        | (39,600)       | 7,981          | 48             |
| Decrease/(Increase) in other current assets                   |      | 1,373          | (2,268)        | (20)           | 100            |
| Decrease in trade and other payables                          |      | (65,705)       | (479,324)      | (3,695)        | (8,372)        |
| Net movement in subsidiaries balances                         |      | -              | -              | 1,319          | 332,728        |
| Total changes in working capital                              |      | 138,006        | (563,002)      | (1,355)        | 314,717        |
| <b>Cash flows from/(used in) operations carried forward</b>   |      | 449,932        | (37,412)       | 95,688         | 472,419        |

**STATEMENTS OF CASH FLOWS (CONT'D)**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|   | Note | Group            |                  | Company         |                  |
|---|------|------------------|------------------|-----------------|------------------|
|   |      | 2018<br>RM'000   | 2017<br>RM'000   | 2018<br>RM'000  | 2017<br>RM'000   |
| <b>Cash flows from/(used in) operations</b>                 |      |                  |                  |                 |                  |
| <b>brought forward</b>                                      |      | 449,932          | (37,412)         | 95,688          | 472,419          |
| Interest received   |      | 8,936            | 6,425            | -               | -                |
| Interest paid   |      | (19,540)         | (18,151)         | (763)           | (2,336)          |
| Income tax paid   |      | (62,852)         | (87,099)         | (23,015)        | (28,275)         |
| Income tax refunded   |      | 1,219            | 280              | -               | -                |
| <b>Net cash flows from/(used in) operating activities</b>   |      | <b>377,695</b>   | <b>(135,957)</b> | <b>71,910</b>   | <b>441,808</b>   |
| <b>Investing activities</b>                                 |      |                  |                  |                 |                  |
| Dividend received   |      | -                | -                | 11,043          | 63,130           |
| Interest received   |      | 12,739           | 13,834           | 14,616          | 21,403           |
| Purchase of property, plant and equipment                   |      | (97,860)         | (45,546)         | (17,632)        | (13,642)         |
| Increase in bearer plants                                   |      | (46,826)         | (43,529)         | (31,416)        | (25,800)         |
| Increase in land held for property development              |      | (1,033)          | (5,787)          | -               | -                |
| Additions to land use rights                                |      | (80)             | (105)            | -               | -                |
| Proceeds from disposal of property, plant and equipment     |      | 710              | 1,960            | 1,763           | 22,172           |
| Proceeds from disposal of bearer plants                     |      | 65               | 2,558            | -               | 1,431            |
| Proceeds from disposal/reduction of shares in an associate  |      | -                | 986              | -               | 986              |
| Proceeds from partial disposal of shares in subsidiaries    |      | -                | -                | 350             | -                |
| Acquisition of additional shares in subsidiaries            |      | -                | -                | (300)           | (487,166)        |
| Acquisition of subsidiaries, net of cash                    |      | 349              | -                | -               | (317)            |
| Net movement in deposit restricted in use                   |      | 1,000            | (1,000)          | -               | -                |
| <b>Net cash flows used in investing activities</b>          |      | <b>(130,936)</b> | <b>(76,629)</b>  | <b>(21,576)</b> | <b>(417,803)</b> |
| <b>Financing activities</b>                                 |      |                  |                  |                 |                  |
| Net movement in trade financing                             |      | (73,105)         | (304,136)        | 15,000          | (156,299)        |
| Repayment of loans and borrowings                           |      | (181,374)        | (153,085)        | (66,583)        | (19,500)         |
| Repayment of obligations under finance leases               |      | (6,092)          | (7,585)          | (835)           | (3,166)          |
| Proceeds from exercise of ESOS                              |      | 202              | 1,549            | 202             | 1,549            |
| Proceeds from loans and borrowings                          |      | 107,132          | 687,832          | 73,470          | 183,000          |
| Proceeds from government grants                             |      | 530              | 1,190            | -               | -                |
| Dividend paid   |      | (34,252)         | (28,540)         | (34,252)        | (28,540)         |
| Dividend paid to non-controlling interests                  |      | (3,240)          | (13,340)         | -               | -                |
| Repayment of land premium                                   |      | -                | (27,744)         | -               | -                |
| Interest paid   |      | (44,808)         | (42,153)         | (10,541)        | (8,162)          |
| <b>Net cash flows (used in)/from financing activities</b>   |      | <b>(235,007)</b> | <b>113,988</b>   | <b>(23,539)</b> | <b>(31,118)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>11,752</b>    | <b>(98,598)</b>  | <b>26,795</b>   | <b>(7,113)</b>   |
| <b>Effect of exchange rate changes</b>                      |      | <b>542</b>       | <b>(2,349)</b>   | <b>46</b>       | <b>(42)</b>      |
| <b>Cash and cash equivalents at 1 January</b>               |      | <b>635,064</b>   | <b>736,011</b>   | <b>183,695</b>  | <b>190,850</b>   |
| <b>Cash and cash equivalents at 31 December</b>             | 25   | <b>647,358</b>   | <b>635,064</b>   | <b>210,536</b>  | <b>183,695</b>   |

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

## 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. Basis of preparation and 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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

For the period up to and including year ended 31 December 2017, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS"). These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The explanatory notes attached to these financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Company since the year ended 31 December 2017.

In preparing its opening MFRS Statements of Financial Position as at 1 January 2017 (which is also the date of transition), the Group and the Company have adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's and the Company's financial position and financial performance is set out in Note 2.2. These notes include reconciliations of equity and total comprehensive income for comparative periods and of equity at the date to transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

The financial statements of the Group and of the Company for the year ended 31 December 2017 which were prepared under FRS are available upon request from the Company's registered address.

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. Basis of preparation and summary of significant accounting policies (Continued)

### 2.2 First-time adoption of Malaysian Financial Reporting Standards

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with MFRS.

Accordingly, the Group and the Company have prepared financial statements that comply with MFRS applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's and the Company's opening statements of financial position was prepared as at 1 January 2017, the Group's and the Company's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Company in restating its FRS financial statements, including the statements of financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017.

The effect of the Group's and of the Company's transition to MFRS are as follows:

#### (a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date transition.

##### Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition.

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

#### (b) Estimates

The estimates at 1 January 2017 and at 31 December 2017 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group and the Company to present these amounts in accordance with MFRS reflect conditions at 1 January 2017, the date of transition to MFRS and as of 31 December 2017.

#### (c) Bearer plants and biological assets

Prior to the adoption of MFRS 141, all the new planting and pre-cropping expenditure incurred from land clearing to the point of maturity were capitalised as biological assets and amortised at maturity over the useful economic lives of the crops.

Upon the adoption of MFRS 141, the Group and the Company are required to classify biological assets separately from bearer plants. New planting and pre-cropping expenditure are classified as bearer plants and shall be accounted for the same as property, plant and equipment under MFRS 116, whereas the produce growing on the bearer plants falls within the scope of MFRS 141 Biological Assets and are measured at fair value, with changes in fair value taken to profit or loss. The adjustments result in corresponding adjustments to deferred tax, income tax expenses and retained earnings.



2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(c) Bearer plants and biological assets (Continued)

The impact arising from the change is summarised as follows:

|                                | ← Group →                 |                       |                            | ← Company →               |                       |                            |
|--------------------------------|---------------------------|-----------------------|----------------------------|---------------------------|-----------------------|----------------------------|
|                                | FRS<br>1.1.2017<br>RM'000 | Adjustments<br>RM'000 | MFRS<br>1.1.2017<br>RM'000 | FRS<br>1.1.2017<br>RM'000 | Adjustments<br>RM'000 | MFRS<br>1.1.2017<br>RM'000 |
| <b>Non-current assets</b>      |                           |                       |                            |                           |                       |                            |
| Biological assets              | 1,037,688                 | (1,037,688)           | -                          | 55,766                    | (55,766)              | -                          |
| Bearer plants                  | -                         | 1,037,688             | 1,037,688                  | -                         | 55,766                | 55,766                     |
| <b>Current assets</b>          |                           |                       |                            |                           |                       |                            |
| Biological assets              | -                         | 24,295                | 24,295                     | -                         | 2,411                 | 2,411                      |
| <b>Non-current liabilities</b> |                           |                       |                            |                           |                       |                            |
| Deferred tax liabilities       | 328,716                   | 5,831                 | 334,547                    | 36,256                    | 579                   | 36,835                     |
| <b>Equity</b>                  |                           |                       |                            |                           |                       |                            |
| Retained earnings              | 1,048,074                 | 16,796                | 1,064,870                  | 1,075,934                 | 1,832                 | 1,077,766                  |
| Non-controlling interests      | 97,967                    | 1,668                 | 99,635                     | -                         | -                     | -                          |

|                                | ← Group →                   |                       |                              | ← Company →                 |                       |                              |
|--------------------------------|-----------------------------|-----------------------|------------------------------|-----------------------------|-----------------------|------------------------------|
|                                | FRS<br>31.12.2017<br>RM'000 | Adjustments<br>RM'000 | MFRS<br>31.12.2017<br>RM'000 | FRS<br>31.12.2017<br>RM'000 | Adjustments<br>RM'000 | MFRS<br>31.12.2017<br>RM'000 |
| <b>Non-current assets</b>      |                             |                       |                              |                             |                       |                              |
| Biological assets              | 1,030,946                   | (1,030,946)           | -                            | 79,006                      | (79,006)              | -                            |
| Bearer plants                  | -                           | 1,030,946             | 1,030,946                    | -                           | 79,006                | 79,006                       |
| <b>Current assets</b>          |                             |                       |                              |                             |                       |                              |
| Biological assets              | -                           | 15,981                | 15,981                       | -                           | 1,818                 | 1,818                        |
| <b>Non-current liabilities</b> |                             |                       |                              |                             |                       |                              |
| Deferred tax liabilities       | 342,008                     | 3,836                 | 345,844                      | 40,222                      | 436                   | 40,658                       |
| <b>Equity</b>                  |                             |                       |                              |                             |                       |                              |
| Retained earnings              | 1,264,663                   | 10,939                | 1,275,602                    | 1,213,525                   | 1,382                 | 1,214,907                    |
| Non-controlling interests      | 104,457                     | 1,206                 | 105,663                      | -                           | -                     | -                            |

|                                      | ← Group →     |                |  | ← Company →   |                |  |
|--------------------------------------|---------------|----------------|--|---------------|----------------|--|
|                                      | FRS<br>RM'000 | MFRS<br>RM'000 | Impact<br>due to the<br>change<br>RM'000 | FRS<br>RM'000 | MFRS<br>RM'000 | Impact<br>due to the<br>change<br>RM'000 |
| <b>Year ended 31 December 2017:</b>  |               |                |  |               |                |  |
| Cost of sales                        | (4,369,903)   | (4,394,198)    | (24,295)                                 | (974,046)     | (976,457)      | (2,411)                                  |
| Fair value gain on biological assets | -             | 15,981         | 15,981                                   | -             | 1,818          | 1,818                                    |
| Income tax expenses                  | (101,163)     | (99,168)       | 1,995                                    | (33,244)      | (33,101)       | 143                                      |
| Non-controlling interests            | 19,830        | 19,368         | (462)                                    | -             | -              | -  |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
31 DECEMBER 2018

2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(d) Other current assets

Current assets

The Group recognised 100% of its revenue for the sales of completed properties. However, the Group has not billed buyers for the remaining 2.5% upon issuance of land title. Before the adoption of MFRS 15, the Group presented the unbilled revenue as part of trade receivables in the statement of financial position. Upon adoption of MFRS 15, a reclassification was made to the other current assets amounting to RM0.5 million from trade receivables.

(e) Reconciliation of financial position and equity as at 1 January 2017 (date of transition to MFRS)

|  | FRS<br>RM'000 | Remeasure-<br>ments<br>RM'000 | MFRS as at<br>1.1.2017<br>RM'000 |
|--|---------------|-------------------------------|----------------------------------|
| <b>Group</b>                                     |               |                               |                                  |
| <b>Assets</b>                                    |               |                               |                                  |
| <b>Non-current assets</b>                        |               |                               |                                  |
| Property, plant and equipment                    | 1,585,207     | -                             | 1,585,207                        |
| Biological assets                                | 1,037,688     | (1,037,688)                   | -                                |
| Bearer plants                                    | -             | 1,037,688                     | 1,037,688                        |
| Inventories - Land held for property development | 20,262        | -                             | 20,262                           |
| Land use rights                                  | 5,009         | -                             | 5,009                            |
| Investment in associates                         | 1,895         | -                             | 1,895                            |
| Intangible asset                                 | 168,123       | -                             | 168,123                          |
| Deferred tax assets                              | 67,226        | -                             | 67,226                           |
|  | 2,885,410     | -                             | 2,885,410                        |
| <b>Current assets</b>                            |               |                               |                                  |
| Inventories                                      | 345,193       | -                             | 345,193                          |
| Trade and other receivables                      | 347,553       | (60)                          | 347,493                          |
| Other current assets                             | 2,814         | 60                            | 2,874                            |
| Derivatives                                      | 6,719         | -                             | 6,719                            |
| Tax recoverable                                  | 9,502         | -                             | 9,502                            |
| Biological assets                                | -             | 24,295                        | 24,295                           |
| Cash and bank balances                           | 736,111       | -                             | 736,111                          |
|  | 1,447,892     | 24,295                        | 1,472,187                        |
| <b>Total assets</b>                              | 4,333,302     | 24,295                        | 4,357,597                        |
| <b>Equity and liabilities</b>                    |               |                               |                                  |
| <b>Current liabilities</b>                       |               |                               |                                  |
| Loans and borrowings                             | 910,577       | -                             | 910,577                          |
| Trade and other payables                         | 771,516       | -                             | 771,516                          |
| Government grant                                 | 782           | -                             | 782                              |
| Income tax payable                               | 5,818         | -                             | 5,818                            |
| Derivatives                                      | 24,044        | -                             | 24,044                           |
| Land premium payable                             | 6,965         | -                             | 6,965                            |
|  | 1,719,702     | -                             | 1,719,702                        |
| <b>Net current liabilities</b>                   | (271,810)     | 24,295                        | (247,515)                        |

2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(e) Reconciliation of financial position and equity as at 1 January 2017 (date of transition to MFRS) (Continued)

|   | FRS<br>RM'000 | Remeasure-<br>ments<br>RM'000 | MFRS as at<br>1.1.2017<br>RM'000 |
|---|---------------|-------------------------------|----------------------------------|
| <b>Group</b>  |               |                               |                                  |
| <b>Non-current liabilities</b>                      |               |                               |                                  |
| Loans and borrowings                                | 277,754       | -                             | 277,754                          |
| Derivatives   | 48            | -                             | 48                               |
| Government grant                                    | 13,658        | -                             | 13,658                           |
| Deferred tax liabilities                            | 328,716       | 5,831                         | 334,547                          |
| Land premium payable                                | 20,779        | -                             | 20,779                           |
|   | 640,955       | 5,831                         | 646,786                          |
| <b>Total liabilities</b>                            | 2,360,657     | 5,831                         | 2,366,488                        |
| <b>Net assets</b>                                   | 1,972,645     | 18,464                        | 1,991,109                        |
| <b>Equity attributable to owners of the Company</b> |               |                               |                                  |
| Share capital                                       | 570,111       | -                             | 570,111                          |
| Share premium                                       | 246,844       | -                             | 246,844                          |
| Employee share option reserve                       | 7,695         | -                             | 7,695                            |
| Other reserves                                      | 1,954         | -                             | 1,954                            |
| Retained earnings                                   | 1,048,074     | 16,796                        | 1,064,870                        |
|   | 1,874,678     | 16,796                        | 1,891,474                        |
| <b>Non-controlling interest</b>                     | 97,967        | 1,668                         | 99,635                           |
| <b>Total equity</b>                                 | 1,972,645     | 18,464                        | 1,991,109                        |
| <b>Total equity and liabilities</b>                 | 4,333,302     | 24,295                        | 4,357,597                        |
| <b>Company</b>                                      |               |                               |                                  |
| <b>Assets</b>                                       |               |                               |                                  |
| <b>Non-current assets</b>                           |               |                               |                                  |
| Property, plant and equipment                       | 259,703       | -                             | 259,703                          |
| Biological assets                                   | 55,766        | (55,766)                      | -                                |
| Bearer plants                                       | -             | 55,766                        | 55,766                           |
| Investment in subsidiaries                          | 1,018,267     | -                             | 1,018,267                        |
| Investment in associates                            | 1,031         | -                             | 1,031                            |
|   | 1,334,767     | -                             | 1,334,767                        |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
31 DECEMBER 2018

2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(e) Reconciliation of financial position and equity as at 1 January 2017 (date of transition to MFRS) (Continued)

|   | FRS<br>RM'000 | Remeasure-<br>ments<br>RM'000 | MFRS as at<br>1.1.2017<br>RM'000 |
|---|---------------|-------------------------------|----------------------------------|
| <b>Company</b>                                      |               |                               |                                  |
| <b>Current assets</b>                               |               |                               |                                  |
| Inventories   | 51,886        | -                             | 51,886                           |
| Trade and other receivables                         | 682,891       | -                             | 682,891                          |
| Other current assets                                | 505           | -                             | 505                              |
| Derivatives   | 218           | -                             | 218                              |
| Tax recoverable                                     | 6,489         | -                             | 6,489                            |
| Biological assets                                   | -             | 2,411                         | 2,411                            |
| Cash and bank balances                              | 190,850       | -                             | 190,850                          |
|   | 932,839       | 2,411                         | 935,250                          |
| <b>Total assets</b>                                 | 2,267,606     | 2,411                         | 2,270,017                        |
| <b>Equity and liabilities</b>                       |               |                               |                                  |
| <b>Current liabilities</b>                          |               |                               |                                  |
| Loans and borrowings                                | 178,845       | -                             | 178,845                          |
| Trade and other payables                            | 129,383       | -                             | 129,383                          |
| Income tax payable                                  | 706           | -                             | 706                              |
|   | 308,934       | -                             | 308,934                          |
| <b>Net current assets</b>                           | 623,905       | 2,411                         | 626,316                          |
| <b>Non-current liabilities</b>                      |               |                               |                                  |
| Loans and borrowings                                | 21,832        | -                             | 21,832                           |
| Deferred tax liabilities                            | 36,256        | 579                           | 36,835                           |
|   | 58,088        | 579                           | 58,667                           |
| <b>Total liabilities</b>                            | 367,022       | 579                           | 367,601                          |
| <b>Net assets</b>                                   | 1,900,584     | 1,832                         | 1,902,416                        |
| <b>Equity attributable to owners of the Company</b> |               |                               |                                  |
| Share capital                                       | 570,111       | -                             | 570,111                          |
| Share premium                                       | 246,844       | -                             | 246,844                          |
| Employee share option reserve                       | 7,695         | -                             | 7,695                            |
| Retained earnings                                   | 1,075,934     | 1,832                         | 1,077,766                        |
| <b>Total equity</b>                                 | 1,900,584     | 1,832                         | 1,902,416                        |
| <b>Total equity and liabilities</b>                 | 2,267,606     | 2,411                         | 2,270,017                        |

2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(f) Reconciliation of financial position and equity as at 31 December 2017

| Group  | FRS<br>RM'000 | Remeasure-<br>ments<br>RM'000 | MFRS as at<br>31.12.2017<br>RM'000 |
|--|---------------|-------------------------------|------------------------------------|
| <b>Assets</b>                                    |               |                               |                                    |
| <b>Non-current assets</b>                        |               |                               |                                    |
| Property, plant and equipment                    | 1,547,257     | -                             | 1,547,257                          |
| Biological assets                                | 1,030,946     | (1,030,946)                   | -                                  |
| Bearer plants                                    | -             | 1,030,946                     | 1,030,946                          |
| Inventories - Land held for property development | 41,102        | -                             | 41,102                             |
| Land use rights                                  | 5,016         | -                             | 5,016                              |
| Intangible asset                                 | 168,123       | -                             | 168,123                            |
| Derivatives                                      | 544           | -                             | 544                                |
| Deferred tax assets                              | 55,930        | -                             | 55,930                             |
|  | 2,848,918     | -                             | 2,848,918                          |
| <b>Current assets</b>                            |               |                               |                                    |
| Inventories                                      | 371,944       | -                             | 371,944                            |
| Trade and other receivables                      | 386,665       | (3,016)                       | 383,649                            |
| Other current assets                             | 2,126         | 3,016                         | 5,142                              |
| Derivatives                                      | 9,088         | -                             | 9,088                              |
| Tax recoverable                                  | 15,753        | -                             | 15,753                             |
| Biological assets                                | -             | 15,981                        | 15,981                             |
| Cash and bank balances                           | 639,177       | -                             | 639,177                            |
|  | 1,424,753     | 15,981                        | 1,440,734                          |
| <b>Total assets</b>                              | 4,273,671     | 15,981                        | 4,289,652                          |
| <b>Equity and liabilities</b>                    |               |                               |                                    |
| <b>Current liabilities</b>                       |               |                               |                                    |
| Loans and borrowings                             | 615,890       | -                             | 615,890                            |
| Trade and other payables                         | 295,133       | -                             | 295,133                            |
| Government grant                                 | 796           | -                             | 796                                |
| Income tax payable                               | 1,878         | -                             | 1,878                              |
| Derivatives                                      | 4,853         | -                             | 4,853                              |
|  | 918,550       | -                             | 918,550                            |
| <b>Net current assets</b>                        | 506,203       | 15,981                        | 522,184                            |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
31 DECEMBER 2018

2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(f) Reconciliation of financial position and equity as at 31 December 2017 (Continued)

|   | FRS<br>RM'000 | Remeasure-<br>ments<br>RM'000 | MFRS as at<br>31.12.2017<br>RM'000 |
|---|---------------|-------------------------------|------------------------------------|
| <b>Group</b>  |               |                               |                                    |
| <b>Non-current liabilities</b>                      |               |                               |                                    |
| Loans and borrowings                                | 796,991       | -                             | 796,991                            |
| Government grant                                    | 14,436        | -                             | 14,436                             |
| Deferred tax liabilities                            | 342,008       | 3,836                         | 345,844                            |
|   | 1,153,435     | 3,836                         | 1,157,271                          |
| <b>Total liabilities</b>                            | 2,071,985     | 3,836                         | 2,075,821                          |
| <b>Net assets</b>                                   | 2,201,686     | 12,145                        | 2,213,831                          |
| <b>Equity attributable to owners of the Company</b> |               |                               |                                    |
| Share capital                                       | 819,860       | -                             | 819,860                            |
| Employee share option reserve                       | 10,607        | -                             | 10,607                             |
| Other reserves                                      | 2,099         | -                             | 2,099                              |
| Retained earnings                                   | 1,264,663     | 10,939                        | 1,275,602                          |
|   | 2,097,229     | 10,939                        | 2,108,168                          |
| <b>Non-controlling interest</b>                     | 104,457       | 1,206                         | 105,663                            |
| <b>Total equity</b>                                 | 2,201,686     | 12,145                        | 2,213,831                          |
| <b>Total equity and liabilities</b>                 | 4,273,671     | 15,981                        | 4,289,652                          |
| <b>Company</b>                                      |               |                               |                                    |
| <b>Assets</b>                                       |               |                               |                                    |
| <b>Non-current assets</b>                           |               |                               |                                    |
| Property, plant and equipment                       | 223,242       | -                             | 223,242                            |
| Biological assets                                   | 79,006        | (79,006)                      | -                                  |
| Bearer plants                                       | -             | 79,006                        | 79,006                             |
| Investment in subsidiaries                          | 1,498,477     | -                             | 1,498,477                          |
| Investment in associates                            | 45            | -                             | 45                                 |
|   | 1,800,770     | -                             | 1,800,770                          |

2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(f) Reconciliation of financial position and equity as at 31 December 2017 (Continued)

|   | FRS<br>RM'000 | Remeasure-<br>ments<br>RM'000 | MFRS as at<br>31.12.2017<br>RM'000 |
|---|---------------|-------------------------------|------------------------------------|
| <b>Company</b>                                      |               |                               |                                    |
| <b>Current assets</b>                               |               |                               |                                    |
| Inventories   | 61,673        | -                             | 61,673                             |
| Trade and other receivables                         | 320,811       | -                             | 320,811                            |
| Other current assets                                | 405           | -                             | 405                                |
| Derivatives   | 2,432         | -                             | 2,432                              |
| Tax recoverable                                     | 5,486         | -                             | 5,486                              |
| Biological assets                                   | -             | 1,818                         | 1,818                              |
| Cash and bank balances                              | 183,695       | -                             | 183,695                            |
|   | 574,502       | 1,818                         | 576,320                            |
| <b>Total assets</b>                                 | 2,375,272     | 1,818                         | 2,377,090                          |
| <b>Equity and liabilities</b>                       |               |                               |                                    |
| <b>Current liabilities</b>                          |               |                               |                                    |
| Loans and borrowings                                | 17,418        | -                             | 17,418                             |
| Trade and other payables                            | 85,068        | -                             | 85,068                             |
| Income tax payable                                  | 706           | -                             | 706                                |
|   | 103,192       | -                             | 103,192                            |
| <b>Net current assets</b>                           | 471,310       | 1,818                         | 473,128                            |
| <b>Non-current liabilities</b>                      |               |                               |                                    |
| Loans and borrowings                                | 187,866       | -                             | 187,866                            |
| Deferred tax liabilities                            | 40,222        | 436                           | 40,658                             |
|   | 228,088       | 436                           | 228,524                            |
| <b>Total liabilities</b>                            | 331,280       | 436                           | 331,716                            |
| <b>Net assets</b>                                   | 2,043,992     | 1,382                         | 2,045,374                          |
| <b>Equity attributable to owners of the Company</b> |               |                               |                                    |
| Share capital                                       | 819,860       | -                             | 819,860                            |
| Employee share option reserve                       | 10,607        | -                             | 10,607                             |
| Retained earnings                                   | 1,213,525     | 1,382                         | 1,214,907                          |
| <b>Total equity</b>                                 | 2,043,992     | 1,382                         | 2,045,374                          |
| <b>Total equity and liabilities</b>                 | 2,375,272     | 1,818                         | 2,377,090                          |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
31 DECEMBER 2018

2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(g) Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2017

|   | FRS<br>RM'000 | Remeasure-<br>ments<br>RM'000 | MFRS as at<br>31.12.2017<br>RM'000 |
|---|---------------|-------------------------------|------------------------------------|
| <b>Group</b>  |               |                               |                                    |
| <b>Revenue</b>  | 4,913,351     | -                             | 4,913,351                          |
| Cost of sales   | (4,369,903)   | (24,295)                      | (4,394,198)                        |
| <b>Gross profit</b>   | 543,448       | (24,295)                      | 519,153                            |
| Fair value gain on biological assets  | -             | 15,981                        | 15,981                             |
| Other income  | 43,632        | -                             | 43,632                             |
| Selling and marketing expenses  | (145,450)     | -                             | (145,450)                          |
| Administrative expenses   | (37,742)      | -                             | (37,742)                           |
| Other operating expenses  | (5,151)       | -                             | (5,151)                            |
| <b>Operating profit</b>   | 398,737       | (8,314)                       | 390,423                            |
| Finance income  | 19,871        | -                             | 19,871                             |
| Finance costs   | (57,345)      | -                             | (57,345)                           |
| Share of results of associates  | (1,491)       | -                             | (1,491)                            |
| <b>Profit before tax</b>  | 359,772       | (8,314)                       | 351,458                            |
| Income tax expense  | (101,163)     | 1,995                         | (99,168)                           |
| <b>Profit net of tax</b>  | 258,609       | (6,319)                       | 252,290                            |
| <b>Profit attributable to:</b>  |               |                               |                                    |
| Owners of the Company   | 238,779       | (5,857)                       | 232,922                            |
| Non-controlling interests   | 19,830        | (462)                         | 19,368                             |
|   | 258,609       | (6,319)                       | 252,290                            |
| <b>Profit net of tax</b>  | 258,609       | (6,319)                       | 252,290                            |
| <b>Other comprehensive income:</b>  |               |                               |                                    |
| Other comprehensive income that will be reclassified to profit or loss in subsequent periods: |               |                               |                                    |
| Foreign currency translation  | (223)         | -                             | (223)                              |
| Fair value adjustment on cash flow hedge  | 408           | -                             | 408                                |
| Income tax relating to components of other comprehensive income                               | (98)          | -                             | (98)                               |
| Transferred of cash flow hedge to profit or loss  | 58            | -                             | 58                                 |
| <b>Other comprehensive income for the year, net of tax</b>                                    | 145           | -                             | 145                                |
| <b>Total comprehensive income for the year</b>  | 258,754       | (6,319)                       | 252,435                            |



2. Basis of preparation and summary of significant accounting policies (Continued)

2.2 First-time adoption of Malaysian Financial Reporting Standards (Continued)

(g) Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2017 (Continued)

| Group  | FRS<br>RM'000 | Remeasure-<br>ments<br>RM'000 | MFRS as at<br>31.12.2017<br>RM'000 |
|--|---------------|-------------------------------|------------------------------------|
| <b>Total comprehensive income attributable to:</b> |               |                               |                                    |
| Owners of the Company                              | 238,924       | (5,857)                       | 233,067                            |
| Non-controlling interests                          | 19,830        | (462)                         | 19,368                             |
|  | 258,754       | (6,319)                       | 252,435                            |
| <b>Company Revenue</b>                             | 1,153,420     | 63,130                        | 1,216,550                          |
| Cost of sales                                      | (974,046)     | (2,411)                       | (976,457)                          |
| <b>Gross profit</b>                                | 179,374       | 60,719                        | 240,093                            |
| Fair value gain on biological assets               | -             | 1,818                         | 1,818                              |
| Dividend income                                    | 63,130        | (63,130)                      | -                                  |
| Other income                                       | 21,734        | -                             | 21,734                             |
| Selling and marketing expenses                     | (62,488)      | -                             | (62,488)                           |
| Administrative expenses                            | (6,956)       | -                             | (6,956)                            |
| Other operating expenses                           | (12,674)      | -                             | (12,674)                           |
| <b>Operating profit</b>                            | 182,120       | (593)                         | 181,527                            |
| Finance income                                     | 21,403        | -                             | 21,403                             |
| Finance costs                                      | (10,498)      | -                             | (10,498)                           |
| <b>Profit before tax</b>                           | 193,025       | (593)                         | 192,432                            |
| Income tax expense                                 | (33,244)      | 143                           | (33,101)                           |
| <b>Profit net of tax</b>                           | 159,781       | (450)                         | 159,331                            |

2.3 Pronouncements issued but not yet effective

The standards and interpretations (collectively referred to as “pronouncements”) that are issued but not yet effective up to the date of issuance of the Group’s and of the Company’s financial statements are disclosed below. The Group and the Company intend to adopt these pronouncements, if applicable, when they become effective.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31 DECEMBER 2018

### 2. Basis of preparation and summary of significant accounting policies (Continued)

#### 2.3 Pronouncements issued but not yet effective (Continued)

| Description   | Effective for annual periods beginning on or after |
|---|--|
| Annual improvements to MFRS Standards 2015-2017 Cycle:  |  |
| (i) Amendments to MFRS 3: Business Combinations   | 1 January 2019                                     |
| (ii) Amendments to MFRS 11: Joint Arrangements  | 1 January 2019                                     |
| (iii) Amendments to MFRS 112: Income Taxes  | 1 January 2019                                     |
| (iv) Amendments to MFRS 123: Borrowing Costs  | 1 January 2019                                     |
| IC Interpretation 23: Uncertainty over Income Tax Treatment   | 1 January 2019                                     |
| MFRS 16: Leases   | 1 January 2019                                     |
| Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures  | 1 January 2019                                     |
| Amendments to MFRS 9: Prepayment Features with Negative Compensation  | 1 January 2019                                     |
| Amendment to MFRS 119: Employee Benefits Plan Amendment, Curtailment or Settlement  | 1 January 2019                                     |
| Amendments to MFRS 3: Definition of a Business  | 1 January 2020                                     |
| Amendments to MFRS 101 and MFRS 108: Definition of Material   | 1 January 2020                                     |
| The Conceptual Framework for Financial Reporting  | 1 January 2020                                     |
| MFRS 17: Insurance Contracts  | 1 January 2021                                     |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred   |

The initial application of the above has no material impact to the financial statements of the Group and the Company.

#### **MFRS 16: Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interests and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into principal (which will be presented as financial cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

## 2. Basis of preparation and summary of significant accounting policies (Continued)

### 2.3 Pronouncements issued but not yet effective (Continued)

#### MFRS 16: Leases (Continued)

The Group and the Company does not expect the adoption of MFRS 16 to have material impact on its financial statements as at 1 January 2019. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being available to the Group and the Company in the future until the Group and the Company presents its first financial statements that include the date of initial application.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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.

## 2. Basis of preparation and summary of significant accounting policies (Continued)

### 2.4 Basis of consolidation (Continued)

#### Transactions with non-controlling interests

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

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 interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

### 2.5 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.

### 2.6 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.

## 2. Basis of preparation and 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 – 99 years |
| Infrastructures                      | 47 – 99 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 amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount 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.

**2. Basis of preparation and summary of significant accounting policies (Continued)**

**2.8 Bearer plants and biological assets**

Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants mainly include mature and immature oil palm plantations. Immature plantations are stated at acquisition cost which includes costs incurred for field preparation, planting, fertilising and maintenance, capitalisation of borrowing costs incurred on loans used to finance the developments of immature plantations and an allocation of other indirect costs based on planted hectares. Mature plantations are stated at acquisition cost less accumulated depreciation and impairment. Mature plantations are depreciated on a straight line basis and over its estimated useful life of 25 years, upon commencement of commercial production.

In general, oil palms are considered mature 36 months after field planting. The carrying values of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits.

A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the income statement in the year the bearer plant is derecognised.

Produce that grows on mature plantations are measured at fair value less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the produce.

**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. Basis of preparation and summary of significant accounting policies (Continued)

### 2.11 Impairment of non-financial assets

The Group and the Company assess 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, an estimate is made of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell 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.

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.

### 2.12 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.

## 2. Basis of preparation and summary of significant accounting policies (Continued)

### 2.12 Investments in associates (Continued)

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 determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

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.

### 2.13 Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Financial instrument categories and subsequent measurement

##### *Financial assets*

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

##### (a) Amortised costs

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contract cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.14) where the effective interest rate is applied to the amortised cost.



2. Basis of preparation and summary of significant accounting policies (Continued)

2.13 Financial instruments (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

*Financial assets (Continued)*

(b) Fair value through profit or loss

All financial assets not measured at amortised costs as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gain or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and investment in equity instrument measured at fair value through other comprehensive income, are subject to impairment assessment (Note 2.14).

*Financial liabilities*

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives, contingent consideration in a business combination and financial liabilities that are specifically designed into this category upon initial recognition.

On initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- A group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the Company's key management personnel.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

## 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Financial instruments (Continued)

#### (ii) Financial instrument categories and subsequent measurement (Continued)

##### *Financial liabilities (Continued)*

#### (b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

#### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expired or transferred, or control of the asset is not retained or substantially all of the risks and rewards of awards of ownership of the financial asset are transferred to another party. On derecognition of financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash asset transferred or liabilities assumed, is recognised in profit or loss.

#### (iv) Offsetting

Financial asset and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Company currently have a legally enforceable right to set off the amount and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

### 2.14 Impairment of financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at the amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognised and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

## 2. Basis of preparation and summary of significant accounting policies (Continued)

### 2.14 Impairment of financial assets (Continued)

The Group and the Company estimate the expected credit losses on trade receivables and contract assets using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt instruments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flow of the financial assets have occurred.

The gross carrying amount of a financial assets is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the written-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery amount due.

### 2.15 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. These also include bank overdrafts that form an integral part of the Group's cash management.

### 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 net realisable value 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.

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.

**2. Basis of preparation and summary of significant accounting policies (Continued)**

**2.16 Inventories (Continued)**

**(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**

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 measured at the lower of cost and net realisable value.

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.

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventories and are measured at the lower of cost and net realisable value.

Costs include:

- Leasehold rights for land
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

Inventories for consumables are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The costs of raw materials comprises costs of purchase.

**2.17 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 guarantees issued are initially measured at fair value, net of transaction costs. Subsequently, they are measured at the higher of the amount of the loss allowance; and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with MFRS 15.

## 2. Basis of preparation and summary of significant accounting policies (Continued)

### 2.18 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.

### 2.19 Revenue

Revenue is measured based on the consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognised when the Group and the Company satisfy a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### (a) Sale of goods

Revenue from sale of goods with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) it transfers control over a product to customer. An asset is transferred when (or as) the customer obtains control over the asset.

The Group and the Company transfer control of a good at a point in time unless one of the following overtime criteria is met:

- the customer simultaneously receives and consumes the benefits provided as the Group and the Company perform;
- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to-date.

#### (b) Rendering of services

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

**2. Basis of preparation and summary of significant accounting policies (Continued)**

**2.19 Revenue (Continued)**

**(c) Sale of properties under construction**

The Group recognises revenue from property under construction over time, using an input method to measure progress towards complete satisfaction of the service. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date by the Group.

**(d) Sales of completed properties**

Sale of completed properties are recognised at a point in time.

**(e) Contract balances**

**(i) Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**(ii) Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

**(iii) Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs by transferring goods or services to a customer under the contract.

**(f) Dividend income**

Dividend income from subsidiaries are recognised when the right to receive payment is established.

**2.20 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. Basis of preparation and summary of significant accounting policies (Continued)

### 2.21 Employee benefits

#### (a) Defined contribution plans

The Group and the Company participate in the national pension scheme as defined by the laws of the country in which it has operations. The Group and the Company make 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 period in which the related service is performed or capitalised in bearer plants, as appropriate.

#### (b) Short term benefits

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

#### (c) Employee share option plans

Employees of the Group and the Company 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 and the Company'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.

### 2.22 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.

For Labuan trading activity, its profits would be subject to tax under Labuan Business Activity Tax 1990 under two options:

- i) to be taxed at rate of 3% on audited profits; or
- ii) upon election, to pay a flat tax of RM20,000.

**2. Basis of preparation and summary of significant accounting policies (Continued)**

**2.22 Taxes (Continued)**

**(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.

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.



## 2. Basis of preparation and summary of significant accounting policies (Continued)

### 2.22 Taxes (Continued)

#### (c) Sales and Services Tax ("SST") and Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of SST or GST except:

- Where the SST and GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST and GST 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 SST and GST included.

### 2.23 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.

### 2.24 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 2. Basis of preparation and summary of significant accounting policies (Continued)

### 2.25 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 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 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 and the Company.

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

### 2.28 Derivative financial instruments and hedge accounting

The Group and the Company use 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.

At the inception of a hedge relationship, the Group and the Company formally designate and document the hedge relationship to which it 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, the nature of the risk being hedged and how the Group and the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group and the Company actually hedge and the quantity of the hedging instrument that the Group and the Company actually use to hedge that quantity of hedged item.

## 2. Basis of preparation and summary of significant accounting policies (Continued)

### 2.28 Derivative financial instruments and hedge accounting (Continued)

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

### 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 by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability. The Group and the Company use 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine 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 financial year end.

### 2.30 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### 3. Significant accounting judgements and estimates

The preparation of the Group's and the Company'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.

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.

#### Key sources of estimation uncertainty

##### (a) Impairment of bearer plants

The Group and the Company operates oil palm plantations with carrying amounts of bearer plants stated at RM1,028,805,000 (2017: RM1,030,946,000) and RM107,048,000 (2017: RM79,006,000) respectively which represented 25% (2017: 24%) and 4% (2017: 3%) of the Group's and the Company's total assets.

The Group and the Company are required to perform an impairment test of the cash generating units ("CGU") or group of CGUs where there is an indication that a CGU or group of CGUs may be impaired by comparing the carrying amount with its recoverable amount.

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 amount of the bearer plants, the carrying amount of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss.

Value-in-use is the present value of the future cash flows expected to be derived from the CGU. FV represents an estimate of the amount receivable in the event the plantation is sold on a willing buyer and a willing seller basis.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying amounts of bearer plants are given in Note 15.

##### (b) 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.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying amount, key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 20.

##### (c) Impairment of investment in subsidiaries

The carrying amounts of the investments in subsidiaries of the Company as at 31 December 2018 was RM1,498,427,000 (2017: RM1,498,477,000). The Company assesses whether there are any indicators of impairment for its investments in subsidiaries at each reporting date. In assessing whether there is any indication that its investments in subsidiaries may be impaired, the Company considers the external and internal sources of information. The Company estimated the recoverable amount of the investments in the subsidiaries based on estimated future cash flows and discounting them at an appropriate rate.

4. Revenue

|   | Group            |                  | Company        |                  |
|---|------------------|------------------|----------------|------------------|
|   | 2018<br>RM'000   | 2017<br>RM'000   | 2018<br>RM'000 | 2017<br>RM'000   |
| Sales of palm based products and other related income | 3,588,490        | 4,901,945        | 903,401        | 1,153,420        |
| Sales of completed properties                         | 3,970            | 5,443            | -              | -                |
| Sales of properties under constructions               | 11,438           | 5,963            | -              | -                |
| Dividend income from subsidiaries                     | -                | -                | 11,043         | 63,130           |
|   | <b>3,603,898</b> | <b>4,913,351</b> | <b>914,444</b> | <b>1,216,550</b> |

Disaggregation of the Group's and the Company's revenue from customers

|                                       | Group            |                  | Company        |                  |
|---------------------------------------|------------------|------------------|----------------|------------------|
|                                       | 2018<br>RM'000   | 2017<br>RM'000   | 2018<br>RM'000 | 2017<br>RM'000   |
| Revenue recognised at a point of time | 3,592,460        | 4,907,388        | 914,444        | 1,216,550        |
| Revenue recognised over time          | 11,438           | 5,963            | -              | -                |
|                                       | <b>3,603,898</b> | <b>4,913,351</b> | <b>914,444</b> | <b>1,216,550</b> |

Transaction prices allocated to the remaining performance obligation

The following table included revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

|                                  | Group          |                | Company        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Properties development contracts |                |                |                |                |
| - Within one year                | 1,153          | 5,537          | -              | -              |
| - Over one year                  | -              | 758            | -              | -              |
|                                  | <b>1,153</b>   | <b>6,295</b>   | <b>-</b>       | <b>-</b>       |

5. Cost of sales

|                          |                  |                  |                |                |
|--------------------------|------------------|------------------|----------------|----------------|
| Cost of inventories sold | 3,369,405        | 4,385,964        | 787,921        | 976,457        |
| Cost of properties sold  | 10,360           | 8,234            | -              | -              |
|                          | <b>3,379,765</b> | <b>4,394,198</b> | <b>787,921</b> | <b>976,457</b> |

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**6. Other income**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Gain on disposal of bearer plants                 | 46             | 1,352          | -              | 1,308          |
| Gain on disposal of property, plant and equipment | 349            | 1,457          | 817            | 5,570          |
| Gain on disposal of an associate                  | -              | 582            | -              | -              |
| Management fee                                    | -              | -              | 10,912         | 200            |
| Fair value gain on derivatives                    | -              | 21,809         | -              | 2,214          |
| Realised gain on derivatives                      | 44,583         | 6,735          | 2,748          | 1,540          |
| Rental income                                     | 402            | 511            | 3,598          | 8,982          |
| Reserve on consolidation                          | 413            | -              | -              | -              |
| Amortisation of government grant (Note 28)        | 796            | 398            | -              | -              |
| Miscellaneous                                     | 5,088          | 5,164          | 1,864          | 1,920          |
| Net gain on foreign exchange                      | -              | 5,624          | 46             | -              |
|   | <b>51,677</b>  | <b>43,632</b>  | <b>19,985</b>  | <b>21,734</b>  |

**7. Finance income**

|                            |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|
| Interest income from:      |               |               |               |               |
| - Short term deposits      | 18,837        | 16,924        | 4,930         | 4,943         |
| - Current account          | 2,838         | 2,947         | 1,346         | 1,185         |
| - Advances to subsidiaries | -             | -             | 8,340         | 15,275        |
|                            | <b>21,675</b> | <b>19,871</b> | <b>14,616</b> | <b>21,403</b> |

**8. Finance costs**

|                                    |               |               |               |               |
|------------------------------------|---------------|---------------|---------------|---------------|
| Interest expenses on:              |               |               |               |               |
| - Bank loans                       | 44,052        | 39,324        | 10,506        | 8,034         |
| - Bankers acceptances              | 12,711        | 12,946        | -             | 864           |
| - Obligations under finance leases | 551           | 482           | 35            | 128           |
| - Revolving credits                | 4,290         | 4,688         | 482           | 1,262         |
| - Trust receipts                   | 1,999         | -             | -             | -             |
| - Interest rate swap               | 329           | 84            | -             | -             |
| - Land premium                     | -             | 2,251         | -             | -             |
| - Others                           | 416           | 140           | 281           | 210           |
|                                    | <b>64,348</b> | <b>59,915</b> | <b>11,304</b> | <b>10,498</b> |

**8. Finance costs (Continued)**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Less: Amount capitalised in:                 |                |                |                |                |
| - Bearer plants (Note 15)                    | (2,027)        | (1,779)        | -              | -              |
| - Property, plant and equipment (Note 14(b)) | -              | (791)          | -              | -              |
| <b>Total finance costs</b>                   | <b>62,321</b>  | <b>57,345</b>  | <b>11,304</b>  | <b>10,498</b>  |

**9. Profit before tax**

The following items have been included in arriving at profit before tax:

|   |         |         |        |        |
|---|---------|---------|--------|--------|
| Employee benefits expense (Note 10)                         | 212,166 | 205,711 | 55,381 | 48,044 |
| Executive directors' remuneration                           |         |         |        |        |
| - Fees  | 303     | 137     | 60     | 64     |
| - Emoluments  | 4,534   | 2,276   | 2,456  | 2,276  |
| Non-executive directors' fees                               | 622     | 676     | 527    | 547    |
| Auditors' remuneration                                      |         |         |        |        |
| - Current year  | 584     | 575     | 125    | 120    |
| - Underprovision in previous years                          | 5       | 20      | 5      | -      |
| Depreciation of property, plant and equipment (Note 14)     | 89,750  | 90,715  | 27,553 | 33,471 |
| Amortisation of bearer plants (Note 15)                     | 52,451  | 49,771  | 3,610  | 2,150  |
| Amortisation of land use rights (Note 17)                   | 100     | 98      | -      | -      |
| Allowance for impairment loss on trade receivable (Note 21) | 458     | 18      | -      | -      |
| Rental expenses   | 3,858   | 2,682   | 841    | 786    |
| Incorporation fee   | -       | 3       | -      | -      |
| Inventories written down                                    | 554     | -       | -      | -      |
| Inventories written off                                     | 7       | 7       | -      | -      |
| Property, plant and equipment written off                   | 691     | 621     | 21     | 40     |
| Bearer plants written off                                   | 387     | 3,016   | 387    | 849    |
| Net loss on foreign exchange                                | 2,681   | -       | 42     | 42     |
| Fair value loss on derivatives                              | 4,426   | -       | 2,432  | -      |
| Impairment loss on other receivables                        | 289     | -       | 2      | -      |
| Impairment loss on property, plant and equipment            | -       | 280     | -      | -      |
| Loss on disposal of an associate                            | -       | -       | 45     | -      |
| Impairment loss on a subsidiary                             | -       | -       | -      | 7,273  |

There were no payments for any indemnity given to or insurance effected for auditors of the Company.

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**10. Employee benefits expense**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Salaries and wages                                     | 205,138        | 194,525        | 56,633         | 47,614         |
| Social security contributions                          | 1,695          | 1,131          | 332            | 311            |
| Share options granted under ESOS (Note 31)             | 5,221          | 10,618         | 1,937          | 3,979          |
| Contributions to defined contribution plan             | 11,185         | 9,812          | 3,965          | 2,866          |
| Other benefits   | 381            | 195            | 30             | 60             |
|  | 223,620        | 216,281        | 62,897         | 54,830         |
| Less: Amount capitalised in bearer plants<br>(Note 15) | (11,454)       | (10,570)       | (7,516)        | (6,786)        |
|  | 212,166        | 205,711        | 55,381         | 48,044         |

Included in employee benefits expense of the Group and of the Company are the Executive Directors' remuneration amounting to RM4,821,000 (2017: RM2,393,000) and RM2,500,000 (2017: RM2,320,000) respectively.

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

|                              | Group          |                | Company        |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Short-term employee benefits | 16,022         | 18,793         | 12,264         | 3,866          |
| Post-employment benefits:    |                |                |                |                |
| Defined contribution plan    | 1,594          | 1,769          | 1,478          | 483            |
| Share-based payment          | 1,375          | 5,783          | 1,375          | 2,008          |
|                              | 18,991         | 26,345         | 15,117         | 6,357          |

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 |              |
|----------------|---------------|--------------|
|                | 2018<br>'000  | 2017<br>'000 |
| At 1 January   | 7,615         | 1,640        |
| Granted        | 17            | 7,615        |
| Exercised      | (15)          | -            |
| Forfeited      | -             | (1,640)      |
| At 31 December | 7,617         | 7,615        |

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 35).



## 11. Directors' remuneration

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

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Executive:  |                |                |                |                |
| Bonus   | 1,335          | 518            | 750            | 518            |
| Fees  | 303            | 137            | 60             | 64             |
| Other emoluments  | 3,183          | 1,738          | 1,690          | 1,738          |
| <b>Total executive directors' remuneration (excluding benefits-in-kind)</b> | <b>4,821</b>   | <b>2,393</b>   | <b>2,500</b>   | <b>2,320</b>   |
| Estimated money value of benefits-in-kind                                   | 16             | 20             | 16             | 20             |
| <b>Total executive directors' remuneration (including benefits-in-kind)</b> | <b>4,837</b>   | <b>2,413</b>   | <b>2,516</b>   | <b>2,340</b>   |
| Non-executive:  |                |                |                |                |
| Fees  | 624            | 676            | 527            | 547            |
| Other emoluments  | 25             | 747            | 28             | -              |
| <b>Total non-executive directors' remuneration</b>                          | <b>649</b>     | <b>1,423</b>   | <b>555</b>     | <b>547</b>     |
| <b>Total directors' remuneration</b>  | <b>5,486</b>   | <b>3,836</b>   | <b>3,071</b>   | <b>2,887</b>   |

## 12. Income tax expense

### Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Statement of profit or loss:</b>                    |                |                |                |                |
| Current income tax:                                    |                |                |                |                |
| Malaysian income tax                                   | 33,878         | 74,407         | 14,020         | 28,487         |
| Underprovision in respect of previous years            | 123            | 2,266          | 712            | 791            |
|  | <b>34,001</b>  | <b>76,673</b>  | <b>14,732</b>  | <b>29,278</b>  |
| Deferred income tax (Note 29):                         |                |                |                |                |
| Origination of temporary differences                   | 5,893          | 25,557         | 4,932          | 4,364          |
| Under/(Over)provision in respect of previous years     | 1,196          | (3,062)        | 186            | (541)          |
|  | <b>7,089</b>   | <b>22,495</b>  | <b>5,118</b>   | <b>3,823</b>   |
| <b>Income tax expense recognised in profit or loss</b> | <b>41,090</b>  | <b>99,168</b>  | <b>19,850</b>  | <b>33,101</b>  |

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
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**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 2018 and 2017 are as follows:

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2018</b>   | <b>2017</b>   | <b>2018</b>    | <b>2017</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Profit before tax  | 108,997       | 351,458       | 75,143         | 192,432       |
| Tax at Malaysian statutory tax rate of 24% (2017: 24%)             | 26,159        | 84,350        | 18,034         | 46,184        |
| Adjustments:   |               |               |                |               |
| Non-deductible expenses  | 6,316         | 11,746        | 3,898          | 1,834         |
| Income not subject to taxation                                     | (1,252)       | (342)         | (2,960)        | (15,151)      |
| Effect of lower tax rate   | (126)         | (1,080)       | -              | -             |
| Deferred tax assets not recognised during the year                 | 9,109         | 5,291         | -              | -             |
| Reversal of deferred tax assets not recognised in previous years   | (395)         | -             | -              | -             |
| Underprovision of income tax in respect of previous years          | 123           | 2,266         | 712            | 791           |
| Under/(Over)provision of deferred tax in respect of previous years | 1,196         | (3,062)       | 186            | (541)         |
| Others   | (40)          | (1)           | (20)           | (16)          |
| Income tax expense recognised in profit or loss                    | 41,090        | 99,168        | 19,850         | 33,101        |
| Deferred tax relating to other comprehensive income:               |               |               |                |               |
| Fair value adjustment on cash flow hedge                           | 350           | 98            | -              | -             |

Malaysian current income tax is calculated at the statutory tax rate of 24% (2017: 24%) 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.

**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:

|   | <b>Group</b>  |               |
|---|---------------|---------------|
|   | <b>2018</b>   | <b>2017</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> |
| Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share | 62,502        | 232,922       |
|   | <b>2018</b>   | <b>2017</b>   |
|   | <b>'000</b>   | <b>'000</b>   |
| Weighted average number of ordinary shares of basic earnings per share computation                          | 570,868       | 570,692       |
| Effect of dilution - share options  | 3             | 750           |
| Weighted average number of ordinary shares for diluted earnings per share computation                       | 570,871       | 571,442       |

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
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**14. Property, plant and equipment**

| <b>Group</b>                                | <b>Land, buildings and infrastructure *<br/>RM'000</b> | <b>Furniture and office equipment<br/>RM'000</b> | <b>Motor vehicles and vessels<br/>RM'000</b> | <b>Plant, machinery and field equipment<br/>RM'000</b> | <b>Capital work-in-progress<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|--|--|--|--|--|-------------------------|
| <b>Cost:</b>                                |  |  |  |  |  |                         |
| At 1.1.2017                                 | 1,336,170  | 26,931   | 115,201                                      | 611,748  | 73,606                                     | 2,163,656               |
| Additions                                   | 16,981   | 2,432  | 12,874                                       | 11,734   | 12,428                                     | 56,449                  |
| Disposals                                   | (492)  | (33)   | (885)  | (1,504)  | -  | (2,914)                 |
| Written off                                 | (286)  | (446)  | (822)  | (1,946)  | -  | (3,500)                 |
| Reclassification                            | 20,975   | (5)  | 538  | 46,243   | (67,751)                                   | -                       |
| Exchange translation differences            | (336)  | (7)  | -  | -  | -  | (343)                   |
| At 31.12.2017 and 1.1.2018                  | 1,373,012  | 28,872   | 126,906                                      | 666,275  | 18,283                                     | 2,213,348               |
| Additions                                   | 43,188   | 2,708  | 10,239                                       | 23,713   | 25,329                                     | 105,177                 |
| Acquisition of a subsidiary                 | -  | 24   | -  | -  | -  | 24                      |
| Disposals                                   | (23)   | (13)   | (580)  | (745)  | -  | (1,361)                 |
| Written off                                 | (798)  | (326)  | (631)  | (2,560)  | (328)                                      | (4,643)                 |
| Reclassification                            | 11,562   | 9  | -  | 4,085  | (15,656)                                   | -                       |
| Capitalisation to property development cost | -  | -  | -  | -  | (261)                                      | (261)                   |
| Exchange translation differences            | 29   | 3  | -  | -  | -  | 32                      |
| At 31.12.2018                               | 1,426,970  | 31,277   | 135,934                                      | 690,768  | 27,367                                     | 2,312,316               |
| <b>Accumulated depreciation:</b>            |  |  |  |  |  |                         |
| At 1.1.2017                                 | 196,639  | 13,157   | 70,711                                       | 297,942  | -  | 578,449                 |
| Charge for the year                         | 35,096   | 2,245  | 9,311  | 46,006   | -  | 92,658                  |
| Reclassification                            | (2)  | -  | 119  | (117)  | -  | -                       |
| Impairment                                  | 280  | -  | -  | -  | -  | 280                     |
| Disposals                                   | (150)  | (31)   | (791)  | (1,439)  | -  | (2,411)                 |
| Written off                                 | (221)  | (255)  | (668)  | (1,735)  | -  | (2,879)                 |
| Exchange translation differences            | (6)  | -  | -  | -  | -  | (6)                     |
| At 31.12.2017 and 1.1.2018                  | 231,636  | 15,116   | 78,682                                       | 340,657  | -  | 666,091                 |
| Charge for the year                         | 34,038   | 2,478  | 9,350  | 45,747   | -  | 91,613                  |
| Disposals                                   | (3)  | (3)  | (355)  | (639)  | -  | (1,000)                 |
| Written off                                 | (784)  | (289)  | (373)  | (2,506)  | -  | (3,952)                 |
| Exchange translation differences            | 4  | -  | -  | -  | -  | 4                       |
| At 31.12.2018                               | 264,891  | 17,302   | 87,304                                       | 383,259  | -  | 752,756                 |
| <b>Net carrying amount:</b>                 |  |  |  |  |  |                         |
| At 31.12.2017                               | 1,141,376  | 13,756   | 48,224                                       | 325,618  | 18,283                                     | 1,547,257               |
| At 31.12.2018                               | 1,162,079  | 13,975   | 48,630                                       | 307,509  | 27,367                                     | 1,559,560               |

14. Property, plant and equipment (Continued)

**\*Land, Buildings and Infrastructures**

| Group                            | Short term<br>leasehold<br>land<br>RM'000 | Long term<br>leasehold<br>land<br>RM'000 | Buildings<br>RM'000 | Infrastructures<br>RM'000 | Total<br>RM'000 |
|----------------------------------|---|--|---------------------|---------------------------|-----------------|
| <b>Cost:</b>                     |   |  |                     |                           |                 |
| At 1.1.2017                      | 68,625                                    | 513,396                                  | 375,124             | 379,025                   | 1,336,170       |
| Additions                        | -   | -  | 2,601               | 14,380                    | 16,981          |
| Reclassification                 | -   | -  | 13,563              | 7,412                     | 20,975          |
| Disposals                        | -   | (74)                                     | (111)               | (307)                     | (492)           |
| Written off                      | -   | (3)                                      | (199)               | (84)                      | (286)           |
| Exchange translation differences | -   | -  | (336)               | -                         | (336)           |
| At 31.12.2017 and 1.1.2018       | 68,625                                    | 513,319                                  | 390,642             | 400,426                   | 1,373,012       |
| Additions                        | -   | (103)                                    | 3,379               | 39,912                    | 43,188          |
| Reclassification                 | -   | -  | 1,063               | 10,499                    | 11,562          |
| Disposals                        | -   | (12)                                     | -                   | (11)                      | (23)            |
| Written off                      | -   | -  | (798)               | -                         | (798)           |
| Exchange translation differences | -   | -  | 29                  | -                         | 29              |
| At 31.12.2018                    | 68,625                                    | 513,204                                  | 394,315             | 450,826                   | 1,426,970       |
| <b>Accumulated depreciation:</b> |   |  |                     |                           |                 |
| At 1.1.2017                      | 18,462                                    | 23,832                                   | 113,294             | 41,051                    | 196,639         |
| Charge for the year              | 2,658                                     | 7,132                                    | 19,123              | 6,183                     | 35,096          |
| Reclassification                 | -   | -  | 7                   | (9)                       | (2)             |
| Impairment                       | -   | -  | -                   | 280                       | 280             |
| Disposals                        | -   | (25)                                     | (102)               | (23)                      | (150)           |
| Written off                      | -   | (1)                                      | (197)               | (23)                      | (221)           |
| Exchange translation differences | -   | -  | (6)                 | -                         | (6)             |
| At 31.12.2017 and 1.1.2018       | 21,120                                    | 30,938                                   | 132,119             | 47,459                    | 231,636         |
| Charge for the year              | 2,658                                     | 7,323                                    | 18,605              | 5,452                     | 34,038          |
| Disposals                        | -   | (2)                                      | -                   | (1)                       | (3)             |
| Written off                      | -   | -  | (784)               | -                         | (784)           |
| Exchange translation differences | -   | -  | 4                   | -                         | 4               |
| At 31.12.2018                    | 23,778                                    | 38,259                                   | 149,944             | 52,910                    | 264,891         |
| <b>Net carrying amount:</b>      |   |  |                     |                           |                 |
| At 31.12.2017                    | 47,505                                    | 482,381                                  | 258,523             | 352,967                   | 1,141,376       |
| At 31.12.2018                    | 44,847                                    | 474,945                                  | 244,371             | 397,916                   | 1,162,079       |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
31 DECEMBER 2018

14. Property, plant and equipment (Continued)

| Company                          | Leasehold land, buildings and infrastructure*<br>RM'000 | Furniture and office equipment<br>RM'000 | Motor vehicles and vessels<br>RM'000 | Machinery and field equipment<br>RM'000 | Capital work-in-progress<br>RM'000 | Total<br>RM'000 |
|----------------------------------|---|--|--------------------------------------|---|------------------------------------|-----------------|
| <b>Cost:</b>                     |   |  |                                      |   |                                    |                 |
| At 1.1.2017                      | 192,713   | 17,593                                   | 65,789                               | 279,458                                 | 7,576                              | 563,129         |
| Additions                        | 674   | 1,189                                    | 2,333                                | 4,362                                   | 5,656                              | 14,214          |
| Disposals                        | (100)   | (1)                                      | (42,846)                             | (618)                                   | -                                  | (43,565)        |
| Written off                      | -   | (111)                                    | (128)                                | (808)                                   | -                                  | (1,047)         |
| Reclassifications                | 3,965   | -  | -                                    | 1,365                                   | (5,330)                            | -               |
| At 31.12.2017 and 1.1.2018       | 197,252   | 18,670                                   | 25,148                               | 283,759                                 | 7,902                              | 532,731         |
| Additions                        | 1,406   | 1,794                                    | 1,999                                | 6,799                                   | 5,924                              | 17,922          |
| Disposals                        | (7)   | (11)                                     | (2,046)                              | (1,450)                                 | -                                  | (3,514)         |
| Written off                      | (20)  | (210)                                    | -                                    | (1,441)                                 | -                                  | (1,671)         |
| Reclassifications                | 4,592   | -  | -                                    | 2,211                                   | (6,803)                            | -               |
| At 31.12.2018                    | 203,223   | 20,243                                   | 25,101                               | 289,878                                 | 7,023                              | 545,468         |
| <b>Accumulated depreciation:</b> |   |  |                                      |   |                                    |                 |
| At 1.1.2017                      | 75,615  | 8,538                                    | 40,830                               | 178,443                                 | -                                  | 303,426         |
| Charge for the year              | 6,983   | 1,108                                    | 4,925                                | 21,017                                  | -                                  | 34,033          |
| Disposals                        | (25)  | -  | (26,332)                             | (606)                                   | -                                  | (26,963)        |
| Written off                      | -   | (92)                                     | (122)                                | (793)                                   | -                                  | (1,007)         |
| At 31.12.2017 and 1.1.2018       | 82,573  | 9,554                                    | 19,301                               | 198,061                                 | -                                  | 309,489         |
| Charge for the year              | 7,056   | 1,259                                    | 1,581                                | 18,280                                  | -                                  | 28,176          |
| Disposals                        | (1)   | (1)                                      | (1,687)                              | (879)                                   | -                                  | (2,568)         |
| Written off                      | (20)  | (196)                                    | -                                    | (1,434)                                 | -                                  | (1,650)         |
| At 31.12.2018                    | 89,608  | 10,616                                   | 19,195                               | 214,028                                 | -                                  | 333,447         |
| <b>Net carrying amount:</b>      |   |  |                                      |   |                                    |                 |
| At 31.12.2017                    | 114,679   | 9,116                                    | 5,847                                | 85,698                                  | 7,902                              | 223,242         |
| At 31.12.2018                    | 113,615   | 9,627                                    | 5,906                                | 75,850                                  | 7,023                              | 212,021         |

**14. Property, plant and equipment (Continued)**

**\* Leasehold land, buildings and infrastructure**

| Company                                   | Leasehold<br>land<br>RM'000 | Buildings<br>RM'000 | Infrastructure<br>RM'000 | Total<br>RM'000 |
|---|-----------------------------|---------------------|--------------------------|-----------------|
| <b>Cost:</b>                              |                             |                     |                          |                 |
| At 1.1.2017                               | 38,851                      | 144,572             | 9,290                    | 192,713         |
| Transferred from capital work-in-progress | -                           | 260                 | 3,705                    | 3,965           |
| Additions                                 | -                           | 587                 | 87                       | 674             |
| Disposals                                 | (74)                        | -                   | (26)                     | (100)           |
| At 31.12.2017 and 1.1.2018                | 38,777                      | 145,419             | 13,056                   | 197,252         |
| Transferred from capital work-in-progress | -                           | 213                 | 4,379                    | 4,592           |
| Additions                                 | -                           | 881                 | 525                      | 1,406           |
| Disposals                                 | (7)                         | -                   | -                        | (7)             |
| Written off                               | -                           | (20)                | -                        | (20)            |
| At 31.12.2018                             | 38,770                      | 146,493             | 17,960                   | 203,223         |
| <b>Accumulated depreciation:</b>          |                             |                     |                          |                 |
| At 1.1.2017                               | 9,592                       | 65,173              | 850                      | 75,615          |
| Charge for the year                       | 326                         | 6,459               | 198                      | 6,983           |
| Disposals                                 | (25)                        | -                   | -                        | (25)            |
| At 31.12.2017 and 1.1.2018                | 9,893                       | 71,632              | 1,048                    | 82,573          |
| Charge for the year                       | 518                         | 6,205               | 333                      | 7,056           |
| Disposals                                 | (1)                         | -                   | -                        | (1)             |
| Written off                               | -                           | (20)                | -                        | (20)            |
| At 31.12.2018                             | 10,410                      | 77,817              | 1,381                    | 89,608          |
| <b>Net carrying amount:</b>               |                             |                     |                          |                 |
| At 31.12.2017                             | 28,884                      | 73,787              | 12,008                   | 114,679         |
| At 31.12.2018                             | 28,360                      | 68,676              | 16,579                   | 113,615         |

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**31 DECEMBER 2018**

**14. Property, plant and equipment (Continued)**

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 RM7,317,000 (2017: RM10,112,000) and RM290,000 (2017: RM572,000) 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 RM97,860,000 (2017: RM45,546,000) and RM17,632,000 (2017: RM13,642,000) respectively. The carrying amounts of plant and machinery and motor vehicles held under finance leases are as follows:

|                     | Group          |                | Company        |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Plant and machinery | 6,591          | 7,718          | 349            | 1,348          |
| Motor vehicles      | 12,585         | 11,088         | 777            | 1,882          |
|                     | 19,176         | 18,806         | 1,126          | 3,230          |

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

b) Additions to property, plant and equipment include:

|                                     | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Loan interests capitalised (Note 8) | -              | 791            | -              | -              |

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

|                         | Group          |                | Company        |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Profit or loss (Note 9) | 89,750         | 90,715         | 27,553         | 33,471         |
| Bearer plants (Note 15) | 1,863          | 1,943          | 623            | 562            |
|                         | 91,613         | 92,658         | 28,176         | 34,033         |



**14. Property, plant and equipment (Continued)**

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

|                | Group          |                | Company        |                |
|----------------|----------------|----------------|----------------|----------------|
|                | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Leasehold land | 57,089         | 58,987         | -              | -              |
| Building       | 28,558         | 30,657         | -              | -              |
|                | 85,647         | 89,644         | -              | -              |

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

**15. Bearer plants**

|                                    | Group          |                | Company        |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Cost:</b>                       |                |                |                |                |
| At 1 January                       | 1,296,872      | 1,267,360      | 116,829        | 104,664        |
| Additions                          | 50,716         | 47,251         | 32,039         | 26,362         |
| Disposals                          | (27)           | (1,363)        | -              | (132)          |
| Written off                        | (10,086)       | (16,376)       | (10,086)       | (14,065)       |
| At 31 December                     | 1,337,475      | 1,296,872      | 138,782        | 116,829        |
| <b>Accumulated amortisation:</b>   |                |                |                |                |
| At 1 January                       | 265,926        | 229,672        | 37,823         | 48,898         |
| Amortisation for the year (Note 9) | 52,451         | 49,771         | 3,610          | 2,150          |
| Disposals                          | (8)            | (157)          | -              | (9)            |
| Written off                        | (9,699)        | (13,360)       | (9,699)        | (13,216)       |
| At 31 December                     | 308,670        | 265,926        | 31,734         | 37,823         |
| <b>Net carrying amount:</b>        |                |                |                |                |
| At 31 December                     | 1,028,805      | 1,030,946      | 107,048        | 79,006         |

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**31 DECEMBER 2018**

**15. Bearer plants (Continued)**

Additions to bearer plants include:

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2018</b>   | <b>2017</b>   | <b>2018</b>    | <b>2017</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Depreciation of property, plant and equipment (Note 14) | 1,863         | 1,943         | 623            | 562           |
| Loan interests capitalised (Note 8)                     | 2,027         | 1,779         | -              | -             |
| Employee benefits expense capitalised (Note 10)         | 11,454        | 10,570        | 7,516          | 6,786         |

**16. Inventories**

**Cost**

**Non-current**

|                                    |        |        |   |   |
|------------------------------------|--------|--------|---|---|
| Land held for property development | 37,483 | 41,102 | - | - |
|------------------------------------|--------|--------|---|---|

**Current**

**Cost**

|                                |        |         |        |        |
|--------------------------------|--------|---------|--------|--------|
| Property development costs     | 15,729 | 3,922   | -      | -      |
| Refined products               | 69,300 | 57,537  | -      | -      |
| Raw materials                  | 61,966 | 3,035   | 617    | 2,213  |
| Crude palm oil and palm kernel | 57,893 | 133,909 | 46,126 | 34,855 |
| Nursery inventories            | 5,505  | 5,762   | 2,005  | 3,011  |
| Stores and spares              | 30,470 | 32,191  | 19,865 | 21,594 |
| Consumables                    | 30,152 | 34,826  | -      | -      |
| Completed properties           | 19,945 | 26,770  | -      | -      |
| Trading goods                  | 181    | 170     | -      | -      |

|  |         |         |        |        |
|--|---------|---------|--------|--------|
|  | 291,141 | 298,122 | 68,613 | 61,673 |
|--|---------|---------|--------|--------|

**Net realisable value**

|                      |        |        |   |   |
|----------------------|--------|--------|---|---|
| Refined products     | 30,829 | 73,460 | - | - |
| Finished goods       | 80     | 362    | - | - |
| Completed properties | 3,178  | -      | - | - |

|  |        |        |   |   |
|--|--------|--------|---|---|
|  | 34,087 | 73,822 | - | - |
|--|--------|--------|---|---|

|  |         |         |        |        |
|--|---------|---------|--------|--------|
|  | 325,228 | 371,944 | 68,613 | 61,673 |
|--|---------|---------|--------|--------|

|  |         |         |        |        |
|--|---------|---------|--------|--------|
|  | 362,711 | 413,046 | 68,613 | 61,673 |
|--|---------|---------|--------|--------|

16. Inventories (Continued)

Land held for property development

|                   | Group          |                |
|-------------------|----------------|----------------|
|                   | 2018<br>RM'000 | 2017<br>RM'000 |
| Leasehold land    | 16,147         | 21,390         |
| Development costs | 21,336         | 19,712         |
|                   | <u>37,483</u>  | <u>41,102</u>  |

17. Land use rights

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Cost:</b>  |                |                |                |                |
| At 1 January  | 5,454          | 5,349          | -              | -              |
| Additions   | 80             | 105            | -              | -              |
| At 31 December                                      | <u>5,534</u>   | <u>5,454</u>   | -              | -              |
| <b>Accumulated amortisation:</b>                    |                |                |                |                |
| At 1 January  | 438            | 340            | -              | -              |
| Amortisation for the year (Note 9)                  | 100            | 98             | -              | -              |
| At 31 December                                      | <u>538</u>     | <u>438</u>     | -              | -              |
| <b>Net carrying amount:</b>                         |                |                |                |                |
| At 31 December                                      | <u>4,996</u>   | <u>5,016</u>   | -              | -              |
| Amount to be amortised:                             |                |                |                |                |
| - Not later than one year                           | 101            | 99             | -              | -              |
| - Later than one year but not later than five years | 402            | 397            | -              | -              |
| - Later than five years                             | 4,493          | 4,520          | -              | -              |
|   | <u>4,996</u>   | <u>5,016</u>   | -              | -              |

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

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**31 DECEMBER 2018**

**18. Investment in subsidiaries**

|                                | <b>Company</b> |               |
|--------------------------------|----------------|---------------|
|                                | <b>2018</b>    | <b>2017</b>   |
|                                | <b>RM'000</b>  | <b>RM'000</b> |
| Unquoted shares at cost        |                |               |
| - Ordinary shares              | 1,438,427      | 1,445,750     |
| - Redeemable preference shares | 60,000         | 60,000        |
|                                | 1,498,427      | 1,505,750     |
| Impairment loss                | -              | (7,273)       |
|                                | 1,498,427      | 1,498,477     |

Details of the subsidiaries are shown as follows:

| <b>Name of subsidiaries</b>                  | <b>Country of incorporation</b> | <b>Principal activities</b> | <b>% of ownership interest held by the Group</b> |             | <b>% of ownership interest held by non-controlling interests</b> |             |
|--|---------------------------------|-----------------------------|--|-------------|--|-------------|
|  |                                 |                             | <b>2018</b>                                      | <b>2017</b> | <b>2018</b>  | <b>2017</b> |
|  |                                 |                             | <b>%</b>   | <b>%</b>    | <b>%</b>   | <b>%</b>    |
| <b>Held by the Company:</b>                  |                                 |                             |  |             |  |             |
| 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         | -  | -           |

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 |        |
|---|--------------------------|---|---|--------|---|--------|
|   |                          |   | 2018 %                                    | 2017 % | 2018 %  | 2017 % |
| <b>Held by the Company (Continued):</b> |                          |   |   |        |   |        |
| 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.       | Malaysia                 | Cultivation of oil palms and operation of palm oil mill | 100                                       | 100    | -   | -      |
| SOP Resources Sdn. Bhd.                 | Malaysia                 | Supplies of goods                                       | 100                                       | 100    | -   | -      |
| SOP Services Sdn. Bhd.                  | Malaysia                 | Rendering of insurance services                         | 100                                       | 100    | -   | -      |
| SOP Industries Sdn. Bhd.                | Malaysia                 | Investment holding                                      | 100                                       | 100    | -   | -      |
| 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.        | Malaysia                 | Corporate support and service                           | 100                                       | 100    | -   | -      |
| SOP Transport Sdn. Bhd.*                | Malaysia                 | Transportation services                                 | 100                                       | 100    | -   | -      |
| SOPB Pte. Ltd.                          | Singapore                | Sales and marketing agents and trading of palm products | -   | ##     | -   | -      |
| Asia Oils Investment Pte. Ltd.**        | Singapore                | Investment holding                                      | 100                                       | 100    | -   | -      |

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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 |                    |
|---|--------------------------|---|---|--------------------|---|--------------------|
|   |                          |   | 2018<br>%                                 | 2017<br>%          | 2018<br>%   | 2017<br>%          |
| <b>Held by the Company (Continued):</b>                 |                          |   |   |                    |   |                    |
| Asia Oils Captive Pte. Ltd.*                            | Labuan, Malaysia         | Rendering of captive reinsurance service                                  | 100                                       | 100                | -   | -                  |
| Titian Megamas Sdn. Bhd.                                | Malaysia                 | Inactive  | 100                                       | 100                | -   | -                  |
| Murum Trading Sdn. Bhd.                                 | Malaysia                 | Convenience store   | 100                                       | 100                | -   | -                  |
| <b>Held through SOP Industries Sdn. Bhd.:</b>           |                          |   |   |                    |   |                    |
| 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, trading and distribution of foods products and cooking oil | 100                                       | 100                | -   | -                  |
| SOP Nutraceuticals Sdn. Bhd.                            | Malaysia                 | Selling and distribution of health and food products                      | 100                                       | 100                | -   | -                  |
| <b>Held through SOP Plantations (Beluru) Sdn. Bhd.:</b> |                          |   |   |                    |   |                    |
| Setia Wiramaju Sdn. Bhd.                                | Malaysia                 | Management and maintenance of road and barge                              | 62.75 <sup>^</sup>                        | 55.19 <sup>^</sup> | 37.25 <sup>^</sup>  | 44.81 <sup>^</sup> |
| <b>Held through SOP Properties Sdn. Bhd.:</b>           |                          |   |   |                    |   |                    |
| SOP Properties (Mortgage) Sdn. Bhd.                     | Malaysia                 | Inactive  | 100                                       | 100                | -   | -                  |
| Wawasan Asiamaju Sdn. Bhd.                              | Malaysia                 | Property development  | 51  | 51                 | -   | -                  |

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 |           |
|--|--------------------------|---|---|-----------|---|-----------|
|  |                          |   | 2018<br>%                                 | 2017<br>% | 2018<br>%   | 2017<br>% |
| <b>Held through SOP Edible Oils Sdn. Bhd.:</b> |                          |   |   |           |   |           |
| Asia Oils Pte. Ltd.**                          | Singapore                | Sales and marketing agents and trading of palm products | 100                                       | 100       | -   | -         |
| <b>Held through SOP Foods Sdn. Bhd.:</b>       |                          |   |   |           |   |           |
| Subur Asiamas Sdn. Bhd.*                       | Malaysia                 | Packaging and distribution of food products             | 70#                                       | 70#       | 30  | 30        |
| TSEA Sdn. Bhd.                                 | Malaysia                 | Packaging and distribution of cooking oil               | 70  | -         | 30  | -         |

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

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

# Held by the Company in 2017, and transferred to SOP Foods Sdn Bhd in 2018.

## SOPB Pte. Ltd. was under creditors' voluntary winding up in 2017.

^ Included ownership interest held by the Company amounting to 3.83% (2017: 3.37%).

a) Increase in paid up capital of subsidiaries

**Titian Megamas Sdn. Bhd.**

On 8 October 2018, the Company subscribed for an addition 99,998 ordinary shares in Titian Megamas Sdn. Bhd. for a total consideration of RM99,998.

**Asia Oils Captive Pte. Ltd.**

On 25 June 2018, the Company subscribed for an addition 49,850 ordinary shares in Asia Oils Captive Pte. Ltd. for a total consideration of RM200,000.

**Asia Oils Pte. Ltd.**

On 13 April 2018, SOP Edible Oils Sdn. Bhd., a subsidiary subscribed for an additional 3,000,000 ordinary shares in Asia Oils Pte. Ltd. for a cash consideration of USD3,000,000.

b) Acquisition of non-controlling interests

**Setia Wiramaju Sdn. Bhd.**

On 29 October 2018, the Group acquired an additional 7.56% equity interest in Setia Wiramaju Sdn. Bhd. for a total cash consideration of RM4.00.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
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**18. Investment in subsidiaries (Continued)**

**c) Acquisition of subsidiaries**

In 2018, the Group completed the following acquisition:

**TSEA Sdn. Bhd.**

On 21 November 2018, SOP Foods Sdn. Bhd. completed the acquisition of 350,000 shares in TSEA Sdn. Bhd. for a cash consideration of RM440,000.

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

**2018  
Group**

|  | <b>TSEA<br/>Sdn. Bhd.<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--------------------------------------|-------------------------|
| Property, plant and equipment                              | 24                                   | 24                      |
| Inventories  | 165                                  | 165                     |
| Trade and other receivables                                | 917                                  | 917                     |
| Tax recoverable  | 121                                  | 121                     |
| Cash and bank balances                                     | 789                                  | 789                     |
| Trade and other payables                                   | (797)                                | (797)                   |
|  | <hr/>                                | <hr/>                   |
| Net identifiable assets                                    | 1,219                                | 1,219                   |
| Less: Non-controlling interest                             | (366)                                | (366)                   |
|  | <hr/>                                | <hr/>                   |
| Net identifiable assets acquired                           | 853                                  | 853                     |
|  | <hr/>                                | <hr/>                   |
| The effect of the acquisition on cash flows is as follows: |                                      |                         |
| Total cost of the business combination                     | 440                                  | 440                     |
| Less: Cash and cash equivalents of subsidiary acquired     | (789)                                | (789)                   |
|  | <hr/>                                | <hr/>                   |
| Net cash inflow on acquisition                             | (349)                                | (349)                   |
|  | <hr/>                                | <hr/>                   |
| <u>Reserve arising on acquisition</u>                      |                                      |                         |
| Fair value of net identifiable assets                      | 1,219                                | 1,219                   |
| Less: Non-controlling interests                            | (366)                                | (366)                   |
|  | <hr/>                                | <hr/>                   |
| Group's interest in fair value of net identifiable assets  | 853                                  | 853                     |
| Reserve on acquisition                                     | (413)                                | (413)                   |
|  | <hr/>                                | <hr/>                   |
| Cost of business combination                               | 440                                  | 440                     |
|  | <hr/>                                | <hr/>                   |



**18. Investment in subsidiaries (Continued)**

**c) Acquisition of subsidiaries (Continued)**

Impact of acquisition in Statement of comprehensive income

In 2018, TSEA Sdn. Bhd. has not contributed to the Group's profit net of tax as the acquisition is deemed to have taken place on 31 December 2018.

In 2017, the Group completed the following acquisitions:

**Titian Megamas Sdn. Bhd.**

On 14 March 2017, the Company acquired 100% equity interest in Titian Megamas Sdn. Bhd. for a cash consideration of RM2.

**Murum Trading Sdn. Bhd.**

On 9 March 2017, the Company acquired 100% equity interest in Murum Trading Sdn. Bhd. for a cash consideration of RM100.

**Asia Oils Captive Pte. Ltd.**

On 9 March 2017, the Company acquired 100% equity interest in Asia Oils Captive Pte. Ltd. for a cash consideration of RM316,650.

18. Investment in subsidiaries (Continued)

d) 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<br>(Niah) Sdn. Bhd. |         | SOP Plantations<br>(Balingian) Sdn. Bhd. |         | SOP Plantations<br>(Borneo) Sdn. Bhd. |         | Total   |         |
|--|-------------------------------------|---------|--|---------|---------------------------------------|---------|---------|---------|
|  | 2018                                | 2017    | 2018                                     | 2017    | 2018                                  | 2017    | 2018    | 2017    |
|  | RM'000                              | RM'000  | RM'000                                   | RM'000  | RM'000                                | RM'000  | RM'000  | RM'000  |
| Non-current assets                           | 47,905                              | 51,189  | 39,635                                   | 40,955  | 103,131                               | 108,311 | 190,671 | 200,455 |
| Current assets                               | 112,519                             | 101,197 | 98,239                                   | 96,976  | 150,331                               | 127,647 | 361,089 | 325,820 |
| Total assets                                 | 160,424                             | 152,386 | 137,874                                  | 137,931 | 253,462                               | 235,958 | 551,760 | 526,275 |
| Current liabilities                          | 4,147                               | 7,907   | 2,044                                    | 2,976   | 6,808                                 | 6,768   | 12,999  | 17,651  |
| Non-current liabilities                      | 9,680                               | 10,131  | 6,709                                    | 7,001   | 21,943                                | 23,046  | 38,332  | 40,178  |
| Total liabilities                            | 13,827                              | 18,038  | 8,753                                    | 9,977   | 28,751                                | 29,814  | 51,331  | 57,829  |
| Net assets                                   | 146,597                             | 134,348 | 129,121                                  | 127,954 | 224,711                               | 206,144 | 500,429 | 468,446 |
| Equity attributable to owners of the Company | 117,278                             | 107,478 | 103,297                                  | 102,363 | 191,004                               | 175,222 | 411,579 | 385,063 |
| Non-controlling interests                    | 29,319                              | 26,870  | 25,824                                   | 25,591  | 33,707                                | 30,922  | 88,850  | 83,383  |

18. Investment in subsidiaries (Continued)

d) Non-controlling interests (Continued)

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

|  | SOP Plantations<br>(Niah) Sdn. Bhd. |        | SOP Plantations<br>(Balingian) Sdn. Bhd. |        | SOP Plantations<br>(Borneo) Sdn. Bhd. |         | Total   |
|--|-------------------------------------|--------|--|--------|---------------------------------------|---------|---------|
|  | 2018                                | 2017   | 2018                                     | 2017   | 2018                                  | 2017    |         |
|  | RM'000                              | RM'000 | RM'000                                   | RM'000 | RM'000                                | RM'000  | RM'000  |
| Revenue  | 40,928                              | 52,608 | 35,272                                   | 49,966 | 78,571                                | 118,294 | 220,868 |
| Profit for the year,<br>representing total<br>comprehensive income             | 11,211                              | 22,256 | 10,529                                   | 21,763 | 16,535                                | 45,063  | 89,082  |
| Total comprehensive<br>income attributable<br>to owners of the Company         | 8,969                               | 17,805 | 8,423                                    | 17,410 | 14,055                                | 38,304  | 73,519  |
| Total comprehensive<br>income attributable to the<br>non-controlling interests | 2,242                               | 4,451  | 2,106                                    | 4,353  | 2,480                                 | 6,759   | 15,563  |
|  | 11,211                              | 22,256 | 10,529                                   | 21,763 | 16,535                                | 45,063  | 89,082  |
| Dividend paid to non-<br>controlling interests                                 | -                                   | 5,000  | 2,040                                    | 2,040  | -                                     | 6,000   | 13,040  |

18. Investment in subsidiaries (Continued)  
d) Non-controlling interests (Continued)  
(iii) Summarised cash flows

|  | SOP Plantations<br>(Niah) Sdn. Bhd. |          | SOP Plantations<br>(Balingian) Sdn. Bhd. |          | SOP Plantations<br>(Borneo) Sdn. Bhd. |          | Total    |          |
|--|-------------------------------------|----------|--|----------|---------------------------------------|----------|----------|----------|
|  | 2018                                | 2017     | 2018                                     | 2017     | 2018                                  | 2017     | 2018     | 2017     |
|  | RM'000                              | RM'000   | RM'000                                   | RM'000   | RM'000                                | RM'000   | RM'000   | RM'000   |
| Net cash from operating activities                 | 8,803                               | 29,062   | 12,145                                   | 24,294   | 15,969                                | 53,680   | 36,917   | 107,036  |
| Net cash from/(used in) investing activities       | (398)                               | 2,594    | (1,365)                                  | (1,028)  | 2,844                                 | 3,111    | 1,081    | 4,677    |
| Net cash used in financing activities              | -                                   | (25,000) | (10,200)                                 | (10,200) | -                                     | (40,000) | (10,200) | (75,200) |
| Net increase in cash and cash equivalents          | 8,405                               | 6,656    | 580                                      | 13,066   | 18,813                                | 16,791   | 27,798   | 36,513   |
| Cash and cash equivalents at beginning of the year | 96,558                              | 89,902   | 94,149                                   | 81,083   | 119,586                               | 102,795  | 310,293  | 273,780  |
| Cash and cash equivalents at end of the year       | 104,963                             | 96,558   | 94,729                                   | 94,149   | 138,399                               | 119,586  | 338,091  | 310,293  |

19. Investment in associates

|                                    | Group          |                | Company        |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Unquoted shares, at cost           | -              | 45             | -              | 45             |
| Share of post acquisition reserves | -              | (45)           | -              | -              |
|                                    | -              | -              | -              | 45             |

Details of the associate are as follows:

| Name of company         | Country of incorporation | Principal activities | % of ownership interest held by the Group |           | Accounting method applied |
|-------------------------|--------------------------|----------------------|---|-----------|---------------------------|
|                         |                          |                      | 2018<br>%                                 | 2017<br>% |                           |
| Sinar Asiamas Sdn. Bhd. | Malaysia                 | Shipping             | -   | 45        | Equity method             |

**Disposal of associates**

On 16 July 2018, the Company disposed of its 45% equity interest in Sinar Asiamas Sdn. Bhd. for a cash consideration of RM1. Sinar Asiamas Sdn. Bhd. had ceased to be an associate of the Company.

On 3 May 2017, the Company disposed of its 45% equity interest in Micaline Sdn. Bhd. for a cash consideration of RM985,500. Micaline Sdn. Bhd. had ceased to be an associate of the Company.

In 2017, the Group had not recognised losses of RM212,000 relating to Sinar Asiamas Sdn. Bhd. where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses was RM212,000. The Group had no obligation in respect of this losses.

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

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Assets and liabilities</b> |                |                |
| Total assets                  | -              | 1,744          |
| Total liabilities             | -              | (2,214)        |
| <b>Results</b>                |                |                |
| Revenue                       | -              | 20,387         |
| Loss for the year             | -              | (3,804)        |

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
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**20. Intangible asset**

|                              | <b>Group</b>  |               |
|------------------------------|---------------|---------------|
|                              | <b>2018</b>   | <b>2017</b>   |
|                              | <b>RM'000</b> | <b>RM'000</b> |
| <b>Goodwill</b>              |               |               |
| <b>Cost:</b>                 |               |               |
| At 1 January and 31 December | 168,123       | 168,123       |

**Impairment assessment of goodwill**

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

|                                    | <b>Group</b>  |               |
|------------------------------------|---------------|---------------|
|                                    | <b>2018</b>   | <b>2017</b>   |
|                                    | <b>RM'000</b> | <b>RM'000</b> |
| SOP Plantations (Murum) Sdn. Bhd.  | 162,941       | 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         |
|                                    | 168,123       | 168,123       |

The recoverable amount of the above CGUs has been determined based on value-in-use using cash flow projections over the expected useful life of oil palms based on the following assumptions:

|                              |                     |
|------------------------------|---------------------|
| (i) FFB prices               | RM432 to RM468/MT   |
| (ii) Yields                  | 14.44 to 27.00MT/HA |
| (iii) Post-tax discount rate | 10.0%               |

- (i) FFB prices are based on the current market outlook of prices relating to the CGUs
- (ii) Yields depend on the age of the palm oil tree
- (iii) Post-tax discount rates used for cash flows discounting purpose is the risks associated with oil palm cultivation business.

Sensitivity to changes in assumptions

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

21. Trade and other receivables

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Trade receivables</b>                           |                |                |                |                |
| Third parties                                      | 137,790        | 220,741        | -              | -              |
| Amount due from a subsidiary                       | -              | -              | 39,341         | 31,754         |
|  | 137,790        | 220,741        | 39,341         | 31,754         |
| Less: Allowance for impairment                     | (604)          | (146)          | -              | -              |
|  | 137,186        | 220,595        | 39,341         | 31,754         |
| <b>Other receivables</b>                           |                |                |                |                |
| Other receivables                                  | 23,858         | 52,141         | 8,040          | 8,169          |
| Amount due from subsidiaries                       | -              | -              | 259,398        | 262,584        |
| Advance payment to suppliers                       | -              | 5,200          | -              | -              |
| Refundable deposits                                | 3,563          | 2,272          | 1,852          | 1,635          |
| GST receivables                                    | 68,086         | 103,441        | 8,598          | 16,669         |
|  | 95,507         | 163,054        | 277,888        | 289,057        |
| Total trade and other receivables                  | 232,693        | 383,649        | 317,229        | 320,811        |
| Add: Cash and bank balances (Note 25)              | 654,510        | 639,177        | 210,536        | 183,695        |
| Less: GST receivables                              | (68,086)       | (103,441)      | (8,598)        | (16,669)       |
| Total financial assets measured at amortised costs | 819,117        | 919,385        | 519,167        | 487,837        |

a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 30 day (2017: 7 to 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included is trade receivables of the Group is an amount of RM15,000 (2017: RM662,000) due from companies in which certain Directors of the Company have substantial financial interests.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**31 DECEMBER 2018**

**21. Trade and other receivables (Continued)**

**a) Trade receivables (Continued)**

Ageing analysis of trade receivables

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

|  | <b>Group</b>                 |                              | <b>Company</b>               |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> |
| Neither past due nor impaired            | 34,364                       | 99,386                       | 38,719                       | 70                           |
| 1 to 30 days past due not impaired       | 100,515                      | 120,589                      | 1                            | 26,416                       |
| 31 to 60 days past due not impaired      | 678                          | 115                          | -                            | 5,068                        |
| 61 to 90 days past due not impaired      | 35                           | -                            | -                            | -                            |
| 91 to 120 days past due not impaired     | 1,304                        | 494                          | -                            | 2                            |
| More than 121 days past due not impaired | 290                          | 11                           | 621                          | 198                          |
|  | 102,822                      | 121,209                      | 622                          | 31,684                       |
| Impaired                                 | 604                          | 146                          | -                            | -                            |
|  | 137,790                      | 220,741                      | 39,341                       | 31,754                       |

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 RM103,496,000 (2017: RM121,209,000) and RM1,296,000 (2017: RM31,684,000) respectively that are past due at the reporting date but not impaired.



**21. Trade and other receivables (Continued)**

**a) Trade receivables (Continued)**

Receivables that are impaired

Set out below is the movement in the allowance for expected credit losses of trade receivables:

|                                 | <b>Group</b>  |               |
|---------------------------------|---------------|---------------|
|                                 | <b>2018</b>   | <b>2017</b>   |
|                                 | <b>RM'000</b> | <b>RM'000</b> |
| Total receivable                | 604           | 146           |
| Less: Allowance for impairment  | (604)         | (146)         |
|                                 | -             | -             |
| Movement in allowance accounts: |               |               |
| At 1 January                    | 146           | 128           |
| Charge for the year (Note 9)    | 458           | 18            |
|                                 | 604           | 146           |

**b) Amount due from subsidiaries**

Amount due from subsidiaries, net of trade and other payables due to them, bears interest at 5% (2017: COF + 1.1%) per annum.

The amount due from subsidiaries is unsecured and is repayable on demand.

**c) Other receivables**

This amount is unsecured, non-interest bearing and is repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**31 DECEMBER 2018**

**22. Other current assets**

|                                    | Group          |                | Company        |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Prepaid operating expenses         | 2,050          | 2,126          | 425            | 405            |
| Contract assets                    | 1,718          | 3,016          | -              | -              |
| Costs to fulfill a contract        | 1              | -              | -              | -              |
|                                    | <u>3,769</u>   | <u>5,142</u>   | <u>425</u>     | <u>405</u>     |
| <b>Contract assets</b>             |                |                |                |                |
| At 1 January                       | 3,016          | 60             | -              | -              |
| Revenue recognised during the year | 15,407         | 11,406         | -              | -              |
| Progress billings during the year  | (16,705)       | (8,450)        | -              | -              |
| At 31 December                     | <u>1,718</u>   | <u>3,016</u>   | <u>-</u>       | <u>-</u>       |

Contract assets primarily relate to the Group's rights to consideration for work completed on contracts but not yet billed at the reporting date.

**23. Derivatives**

|   | Nominal<br>Amount<br>2018<br>RM'000 | Contract                 |                               | Nominal<br>Amount<br>2017<br>RM'000 | Contract                 |                               |
|---|-------------------------------------|--------------------------|-------------------------------|-------------------------------------|--------------------------|-------------------------------|
|   |                                     | Assets<br>2018<br>RM'000 | Liabilities<br>2018<br>RM'000 |                                     | Assets<br>2017<br>RM'000 | Liabilities<br>2017<br>RM'000 |
| <b>Group</b>                            |                                     |                          |                               |                                     |                          |                               |
| Forward and futures commodity contracts | 212,944                             | 98                       | 1,699                         | 497,215                             | 4,137                    | 4,559                         |
| Commodity swaps                         | -                                   | -                        | -                             | 23,861                              | 2,432                    | -                             |
| Interest rate swap                      | 5,975                               | -                        | 4                             | 22,876                              | -                        | 99                            |
| Forward currency contracts              | 157,082                             | 1,495                    | -                             | 150,600                             | 2,519                    | -                             |
| Cash flow hedges                        | 200,000                             | 1,952                    | 144                           | 50,000                              | 544                      | 195                           |
| Total derivatives                       |                                     | <u>3,545</u>             | <u>1,847</u>                  |                                     | <u>9,632</u>             | <u>4,853</u>                  |
| Less: current portion                   |                                     | (1,593)                  | (1,847)                       |                                     | (9,088)                  | (4,853)                       |
| Non-current portion                     |                                     | <u>1,952</u>             | <u>-</u>                      |                                     | <u>544</u>               | <u>-</u>                      |
| <b>Company</b>                          |                                     |                          |                               |                                     |                          |                               |
| Current portion<br>Commodity swap       | -                                   | -                        | -                             | 23,861                              | 2,432                    | -                             |
| Total derivatives                       |                                     | <u>-</u>                 | <u>-</u>                      |                                     | <u>2,432</u>             | <u>-</u>                      |

## 23. Derivatives (Continued)

### 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 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.

### b) Cash flow hedges

The interest rate swaps are being used to hedge the exposure to changes in the floating interest rates of its secured loans. The management considers the interest rate swaps as effective hedging instruments as the secured loans and the swaps have identical critical terms.

## 24. Biological assets

|                                      | Group          |                | Company        |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| At 1 January                         | 15,981         | 24,295         | 1,818          | 2,411          |
| Transferred to produce inventories   | (15,981)       | (24,295)       | (1,818)        | (2,411)        |
| Fair value gain on biological assets | 8,745          | 15,981         | 687            | 1,818          |
| At December                          | 8,745          | 15,981         | 687            | 1,818          |

The fair value of biological assets has been determined based on the market price, estimated yield and oil content of fresh fruit bunches ("FFB"), net of harvesting and collection costs. The estimated yield is dependent on the age of the oil palm trees, the location of the plantations, soil type and infrastructure. The market price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel. Point-of-sale costs include all costs that would be necessary to sell the assets. Biological assets are categorised within Level 3 of the fair value hierarchy. A reasonable change in the key assumptions would not result in a material impact to the financial statements.

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**25. Cash and bank balances**

|   | <b>Group</b>                 |                              | <b>Company</b>               |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> |
| Cash at banks and on hand               | 163,765                      | 120,903                      | 76,472                       | 34,187                       |
| Short term deposits with licensed banks | 490,745                      | 518,274                      | 134,064                      | 149,508                      |
| <b>Cash and bank balances</b>           | <b>654,510</b>               | <b>639,177</b>               | <b>210,536</b>               | <b>183,695</b>               |

Short term deposit with a licenced bank of the Group amounting to RM100,000 (2017: RM100,000) is pledged as security for term loan.

The effective interest rates of deposits at the reporting date were as follows:

|                              | <b>Group</b>            |                         | <b>Company</b>          |                         |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                              | <b>2018</b><br><b>%</b> | <b>2017</b><br><b>%</b> | <b>2018</b><br><b>%</b> | <b>2017</b><br><b>%</b> |
| Deposits with licensed banks | 3.05 - 3.95             | 2.70 - 3.95             | 3.40 - 3.95             | 3.30 - 3.80             |

The maturity of deposits as at the end of the financial year was as follows:

|                              | <b>Group</b>               |                            | <b>Company</b>             |                            |
|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                              | <b>2018</b><br><b>Days</b> | <b>2017</b><br><b>Days</b> | <b>2018</b><br><b>Days</b> | <b>2017</b><br><b>Days</b> |
| Deposits with licensed banks | 30 - 90                    | 1 - 120                    | 30 - 90                    | 30 - 90                    |

For the purpose of the statements of cash flow, cash and cash equivalents comprise the following at the reporting date:

|  | <b>Group</b>                 |                              | <b>Company</b>               |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> |
| Cash and short term deposits                 | 654,510                      | 639,177                      | 210,536                      | 183,695                      |
| Less: Bank overdraft (Note 26)               | (7,052)                      | (3,013)                      | -                            | -                            |
| Less: Fixed deposits restricted in use       | -                            | (1,000)                      | -                            | -                            |
| Less: Short term deposit pledged as security | (100)                        | (100)                        | -                            | -                            |
|  | <b>647,358</b>               | <b>635,064</b>               | <b>210,536</b>               | <b>183,695</b>               |

26. Loans and borrowings

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Current</b>                                |                |                |                |                |
| Secured:                                      |                |                |                |                |
| Bank overdraft (Note 25)                      | -              | 3,013          | -              | -              |
| Bankers acceptances/short term loans          | 1,763          | 107,991        | -              | -              |
| Obligations under finance leases (Note 33(b)) | 6,553          | 5,406          | 411            | 835            |
| Revolving credits                             | 76,000         | 66,000         | -              | -              |
| Term loans                                    | 88,904         | 124,792        | -              | -              |
|   | 173,220        | 307,202        | 411            | 835            |
| Unsecured:                                    |                |                |                |                |
| Revolving credits                             | 15,000         | -              | 15,000         | -              |
| Bank overdraft (Note 25)                      | 7,052          | -              | -              | -              |
| Bankers acceptances/short term loans          | 284,153        | 215,430        | -              | -              |
| Trust receipts                                | 17,630         | 76,675         | -              | -              |
| Term loans                                    | 17,980         | 16,583         | 4,479          | 16,583         |
|   | 341,815        | 308,688        | 19,479         | 16,583         |
|   | 515,035        | 615,890        | 19,890         | 17,418         |
| <b>Non-current</b>                            |                |                |                |                |
| Secured:                                      |                |                |                |                |
| Obligations under finance leases (Note 33(b)) | 6,008          | 5,930          | 266            | 387            |
| Term loans                                    | 725,875        | 751,000        | 206,470        | 183,000        |
|   | 731,883        | 756,930        | 206,736        | 183,387        |
| Unsecured:                                    |                |                |                |                |
| Term loans                                    | 24,936         | 40,061         | -              | 4,479          |
|   | 756,819        | 796,991        | 206,736        | 187,866        |
| Total loans and borrowings                    | 1,271,854      | 1,412,881      | 226,626        | 205,284        |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2018

### 26. Loans and borrowings (Continued)

The remaining maturities of the loans and borrowings as at 31 December are as follows:

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| On demand or within one year                  | 515,035        | 615,890        | 19,890         | 17,418         |
| Later than 1 year but not later than 2 years  | 133,443        | 113,272        | 165            | 4,798          |
| Later than 2 years but not later than 5 years | 477,833        | 497,717        | 206,571        | 183,068        |
| Later than 5 years                            | 145,543        | 186,002        | -              | -              |
|   | 1,271,854      | 1,412,881      | 226,626        | 205,284        |

#### Bankers acceptances/short term loans

Banker's acceptances and foreign currency trade loans are secured by charges over certain leasehold land and palm oil mills of the Group and corporate guarantee provided by the Company.

#### 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 and palm oil mills of the Group.

#### Bank overdraft and trust receipts

Bank overdraft and trust receipts of the subsidiaries are guaranteed by the Company.

#### Term loans

The term loans are secured by charges over certain leasehold land and palm oil mills of the Group and fixed deposit pledged to the bank.

|                                      | Group       |             | Company     |             |
|--------------------------------------|-------------|-------------|-------------|-------------|
|                                      | 2018<br>%   | 2017<br>%   | 2018<br>%   | 2017<br>%   |
| Bankers acceptances/short term loans | 3.78 - 4.57 | 3.53 - 3.92 | N/A         | N/A         |
| Bank overdraft                       | 4.55        | 4.30        | N/A         | N/A         |
| Obligations under finance leases     | 4.72 - 5.33 | 4.96 - 5.33 | 4.72 - 5.22 | 4.96 - 5.11 |
| Term loans                           |             |             |             |             |
| - Floating rates                     | 4.32 - 5.12 | 4.35 - 4.90 | 4.62 - 5.12 | 4.35 - 4.86 |
| Trust receipts                       | 2.71 - 3.16 | 1.28 - 1.67 | N/A         | N/A         |
| Revolving credits                    | 4.67 - 4.92 | 4.41 - 5.10 | 4.92        | N/A         |

**27. Trade and other payables**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Trade payables</b>                                 |                |                |                |                |
| Third parties   | 154,233        | 209,327        | 21,445         | 23,289         |
| Amount due to subsidiaries                            | -              | -              | 25,891         | 23,293         |
|   | 154,233        | 209,327        | 47,336         | 46,582         |
| <b>Other payables</b>                                 |                |                |                |                |
| Retention sums payable to contractors                 | 1,448          | 1,195          | 1,448          | 1,195          |
| Deposits received                                     |                |                |                |                |
| - Others  | 408            | 798            | 98             | 91             |
| - Subsidiary  | -              | -              | 713            | -              |
| Dividend payable                                      | 33             | -              | -              | -              |
| Other payable and accrued operating expenses          | 76,113         | 83,813         | 33,720         | 35,831         |
| Amount due to subsidiaries                            | -              | -              | 494            | 1,369          |
|   | 78,002         | 85,806         | 36,473         | 38,486         |
| Total trade and other payables                        | 232,235        | 295,133        | 83,809         | 85,068         |
| Add: Loans and borrowings (Note 26)                   | 1,271,854      | 1,412,881      | 226,626        | 205,284        |
| Less: CPO and CPKO sales tax                          | (14,800)       | (19,554)       | (8,920)        | (11,065)       |
| Total financial liabilities carried at amortised cost | 1,489,289      | 1,688,460      | 301,515        | 279,287        |

**a) Trade payables**

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 day (2017: 30 to 60 day) terms.

Included in trade payables of the Group and of the Company are the amounts of RM10,034,000 (2017: RM11,851,000) and RM142,000 (2017: RM249,000) respectively due to companies in which certain Directors of the Company have substantial financial interests.

**b) Amounts due to subsidiaries**

These amounts are unsecured, non-interest bearing and are repayable on demand.

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28. Government grants

|                                    | Group          |                |
|------------------------------------|----------------|----------------|
|                                    | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Cost:</b>                       |                |                |
| At 1 January                       | 15,630         | 14,440         |
| Received during the year           | 530            | 1,190          |
| At 31 December                     | 16,160         | 15,630         |
| <b>Accumulated amortisation:</b>   |                |                |
| At 1 January                       | 398            | -              |
| Amortisation for the year (Note 6) | 796            | 398            |
| At 31 December                     | 1,194          | 398            |
| <b>Net carrying amount:</b>        |                |                |
| At 31 December                     | 14,966         | 15,232         |
| Current                            | 796            | 796            |
| Non-current                        | 14,170         | 14,436         |

The government grant of RM16,160,000 received was to partly finance the construction of an advanced integrated bio-refinery plant and research projects. The total grant approved was RM18,630,000.



29. Deferred tax

| Group   | As at 1<br>January<br>2017<br>RM'000 | Recognised<br>in profit<br>or loss<br>RM'000 | Recognised<br>in other<br>compre-<br>hensive<br>income<br>RM'000 | As at 31<br>December<br>2017<br>RM'000 | Recognised<br>in profit<br>or loss<br>RM'000 | Recognised<br>in other<br>compre-<br>hensive<br>income<br>RM'000 | As at 31<br>December<br>2018<br>RM'000 |
|---|--------------------------------------|--|--|--|--|--|--|
| <b>Deferred tax liabilities:</b>                          |                                      |  |  |  |  |  |  |
| Property, plant and equipment                             | 245,748                              | 15,630                                       | -  | 261,378                                | 2,470  | -  | 263,848                                |
| Bearer plants   | 235,842                              | (882)  | -  | 234,960                                | (1,731)                                      | -  | 233,229                                |
| Fair value adjustment on cash<br>flow hedge               | -                                    | -  | 84   | 84                                     | -  | 350  | 434                                    |
| Fair value adjustment on biological<br>assets             | 5,831                                | (1,995)                                      | -  | 3,836                                  | (1,737)                                      | -  | 2,099                                  |
|   | 487,421                              | 12,753                                       | 84   | 500,258                                | (998)  | 350  | 499,610                                |
| <b>Deferred tax assets:</b>                               |                                      |  |  |  |  |  |  |
| Unutilised tax losses                                     | (74,695)                             | (1,637)                                      | -  | (76,332)                               | (3,073)                                      | -  | (79,405)                               |
| Unabsorbed capital allowance and<br>agriculture allowance | (131,109)                            | 4,755  | -  | (126,354)                              | 5,401  | -  | (120,953)                              |
| Fair value adjustment on cash<br>flow hedge               | (32)                                 | 18   | 14   | -                                      | -  | -  | -                                      |
| Others  | (14,264)                             | 6,606  | -  | (7,658)                                | 5,759  | -  | (1,899)                                |
|   | (220,100)                            | 9,742  | 14   | (210,344)                              | 8,087  | -  | (202,257)                              |
|   | 267,321                              | 22,495                                       | 98   | 289,914                                | 7,089  | 350  | 297,353                                |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
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29. Deferred tax (Continued)

|   | As at 1<br>January<br>2017<br>RM'000 | Recognised<br>in profit<br>or loss<br>RM'000 | As at 31<br>December<br>2017<br>RM'000 | Recognised<br>in profit<br>or loss<br>RM'000 | As at 31<br>December<br>2018<br>RM'000 |
|---|--------------------------------------|--|--|--|--|
| <b>Company</b>                                |                                      |  |  |  |  |
| <b>Deferred tax liabilities:</b>              |                                      |  |  |  |  |
| Property, plant and equipment                 | 22,936                               | (1,637)                                      | 21,299                                 | (1,331)                                      | 19,968                                 |
| Bearer plants                                 | 13,320                               | 5,603  | 18,923                                 | 6,720  | 25,643                                 |
| Fair value adjustment on<br>biological assets | 579                                  | (143)  | 436                                    | (271)  | 165                                    |
|   | 36,835                               | 3,823  | 40,658                                 | 5,118  | 45,776                                 |

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Presented after appropriate offsetting as follows: |                |                |                |                |
| Deferred tax assets                                | (55,880)       | (55,930)       | -              | -              |
| Deferred tax liabilities                           | 353,233        | 345,844        | 45,776         | 40,658         |
|  | 297,353        | 289,914        | 45,776         | 40,658         |

Deferred tax assets have not been recognised in respect of the following items:

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2018<br>RM'000 | 2017<br>RM'000 |
| Unutilised tax losses         | 58,838         | 23,467         |
| Unabsorbed capital allowances | 8,249          | 7,785          |
| Others                        | 7,755          | 1,426          |
|                               | 74,842         | 32,678         |

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom.

The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Included in the unrecognised tax losses of RM4,837,000 will expire in 2025. Other losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

30. Share capital and share premium

|  | Number of<br>ordinary shares<br>'000 | Amount                     |                            | Total<br>RM'000 |
|--|--------------------------------------|----------------------------|----------------------------|-----------------|
|  |                                      | Share<br>Capital<br>RM'000 | Share<br>Premium<br>RM'000 |                 |
| <b>Issued and fully paid</b>   |                                      |                            |                            |                 |
| <b>Group/Company</b>   |                                      |                            |                            |                 |
| At 1.1.2017  | 570,111                              | 570,111                    | 246,844                    | 816,955         |
| Ordinary shares issued during the year:  |                                      |                            |                            |                 |
| Exercise of share options  | 707                                  | 1,516                      | 33                         | 1,549           |
| Transfer from employee share option<br>reserve arising from exercise of<br>share options | -                                    | 1,356                      | -                          | 1,356           |
| Transfer from share premium account<br>pursuant to the Companies Act 2016                | -                                    | 246,877                    | (246,877)                  | -               |
| At 31.12.2017 and 1.1.2018   | 570,818                              | 819,860                    | -                          | 819,860         |
| Ordinary shares issued during the year:  |                                      |                            |                            |                 |
| Exercise of share options  | 56                                   | 202                        | -                          | 202             |
| Transfer from employee share option<br>reserve arising from exercise of<br>share options | -                                    | 23                         | -                          | 23              |
| At 31.12.2018  | 570,874                              | 820,085                    | -                          | 820,085         |

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.

The Companies Act 2016 ("Act") which became effective on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There was no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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**31. Employee share option reserve**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| At 1 January   | 10,607         | 7,695          | 10,607         | 7,695          |
| Share options granted under ESOS                                 |                |                |                |                |
| Recognised in profit or loss                                     | 5,221          | 10,618         | 1,937          | 3,979          |
| Charged to subsidiaries  | -              | -              | 3,284          | 6,639          |
| Transfer to Share Capital arising from exercise of share options | (23)           | (1,356)        | (23)           | (1,356)        |
| Reversal of employee share option reserve to retained earnings   | -              | (6,350)        | -              | (6,350)        |
| At 31 December   | 15,805         | 10,607         | 15,805         | 10,607         |

The employee share option reserve represents the value of equity-settled share options granted to employees.

**32. Other reserves**

|   | Hedge Reserve<br>RM'000 | Foreign Currency Translation Reserve<br>RM'000 | Total<br>RM'000 |
|---|-------------------------|--|-----------------|
| <b>Group</b>  |                         |  |                 |
| At 1 January 2017   | (103)                   | 2,057  | 1,954           |
| Other comprehensive income:   |                         |  |                 |
| Exchange differences on translation of the financial statements of foreign entities | -                       | (223)  | (223)           |
| Fair value adjustment on cash flow hedge  | 368                     | -  | 368             |
| At 31 December 2017 and 1 January 2018  | 265                     | 1,834  | 2,099           |
| Other comprehensive income:   |                         |  |                 |
| Exchange differences on translation of the financial statements of foreign entities | -                       | (314)  | (314)           |
| Fair value adjustment on cash flow hedge  | 1,109                   | -  | 1,109           |
| At 31 December 2018   | 1,374                   | 1,520  | 2,894           |

**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.

### 33. Commitments

#### a) Capital commitments

Capital expenditure as at the reporting date is as follows:

|                                  | Group          |                | Company        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Capital expenditure:             |                |                |                |                |
| Approved and contracted for:     |                |                |                |                |
| Bearer plants                    | 11,666         | 2,178          | -              | -              |
| Property, plant and equipment    | 29,593         | 75,470         | 10,059         | 2,387          |
|                                  | 41,259         | 77,648         | 10,059         | 2,387          |
| Approved but not contracted for: |                |                |                |                |
| Bearer plants                    | 5,073          | 10,718         | 2,518          | 4,812          |
| Property, plant and equipment    | 101,132        | 46,114         | 46,870         | 23,667         |
|                                  | 106,205        | 56,832         | 49,388         | 28,479         |
|                                  | 147,464        | 134,480        | 59,447         | 30,866         |

#### 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        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Minimum lease payments</b>                 |                |                |                |                |
| Not later than 1 year                         | 7,042          | 5,854          | 434            | 870            |
| Later than 1 year but not later than 2 years  | 4,406          | 4,400          | 173            | 330            |
| Later than 2 years but not later than 5 years | 1,828          | 1,758          | 104            | 69             |
| Total minimum lease payments                  | 13,276         | 12,012         | 711            | 1,269          |
| Less: Amounts representing finance charges    | (715)          | (676)          | (34)           | (47)           |
| Present value of minimum lease payments       | 12,561         | 11,336         | 677            | 1,222          |

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**33. Commitments (Continued)**

**b) Finance lease commitments (Continued)**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Present value of payments:</b>             |                |                |                |                |
| Not later than 1 year                         | 6,553          | 5,406          | 411            | 835            |
| Later than 1 year but not later than 2 years  | 4,216          | 4,201          | 165            | 319            |
| Later than 2 years but not later than 5 years | 1,792          | 1,729          | 101            | 68             |
| Present value of minimum lease payments       | 12,561         | 11,336         | 677            | 1,222          |
| Less: Amount due within 12 months (Note 26)   | (6,553)        | (5,406)        | (411)          | (835)          |
| Amount due after 12 months (Note 26)          | 6,008          | 5,930          | 266            | 387            |

**34. 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        |                |
|--|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 |
| Significant transactions with subsidiaries |                |                |
| Purchase of fresh fruit bunches            | 378,109        | 513,382        |
| Purchase of goods and services             | 21,323         | 8,618          |
| Sale of seedlings and consumables          | -              | (120)          |
| Sale of goods and services                 | (902,521)      | (1,136,418)    |
| Sale of property, plant and equipment      | (1,884)        | (20,885)       |
| Purchase of property, plant and equipment  | 448            | 234            |
| Corporate service fee                      | 3,366          | -              |
| Interest expenses recharged                | (8,340)        | (15,275)       |
| Management fees                            | (10,912)       | (200)          |
| Other income                               | (2,003)        | (8,003)        |
| Rental charges                             | 618            | 122            |
| Dividend income                            | (11,043)       | (63,130)       |

**34. Related party transactions (Continued)**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Transactions with companies owned substantially by Directors Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing |                |                |                |                |
| Sales of goods and services  | (121)          | (699)          | -              | -              |
| Purchase of fresh fruit bunches  | 79,874         | 90,487         | 56,517         | 66,419         |
| Purchase of property, plant and equipment  | 5,321          | 1,949          | -              | -              |
| Purchase of spare parts and consumables  | 42,173         | 28,802         | 6,523          | 5,725          |
| Transportation charges   | 6,054          | 6,154          | -              | -              |

**35. Employee benefits**

Employee Share Options Scheme ("ESOS")

The previous Employee Share Options Scheme ("ESOS") implemented by Sarawak Oil Palms Berhad on 12 March 2007 for a period of 10 years has expired on 12 March 2017.

The new ESOS was approved by the shareholders at the Extraordinary General Meeting held on 9 August 2017. The ESOS was implemented on 19 September 2017 and 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 ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant ESOS Options ("Options") to eligible employees of the Group and also Directors of the Company (collectively referred to "eligible person") to subscribe for new shares in the Company in accordance with the by-laws.
- (ii) Subject to the discretion of the ESOS Committee, any eligible person who has served for at least one year shall be eligible to participate in the ESOS.
- (iii) The maximum number of new shares which may be made available under the ESOS shall be up to 10% of the total number of issued shares of the Company at any point of time during the tenure of the ESOS.
- (iv) The aggregate allocation of Options to the Directors of the Company and 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 person who, either singly or collectively through persons connected to the eligible person, holds 20% or more in the issued shares of the Company.
- (v) The subscription price for each share under the ESOS shall be based on the 5-day volume weighted average market price of the shares of the Company as quoted on Bursa Securities immediately preceding the date on which the option is granted, subject to a discount of not more than 10% or such other limit in accordance with any prevailing guideline issued by Bursa Securities or any other relevant authorities as may be amended from time to time.

**35. Employee benefits (Continued)**

Employee Share Options Scheme ("ESOS") (Continued)

- (vi) The new shares of the Company to be allotted and issued upon any exercise of the Options will upon such allocation and issuance, rank pari passu in all respects with the then existing issued shares, save and except that the new shares so issued will not be entitled to any dividends, rights, allocations and/or other form of distributions that may be declared, made or paid to shareholders, the entitlement date (namely the date as at the close of business on which shareholders must be registered on the Register of Depositors in order to be entitled to any dividends, rights, allocations and/or other distributions) of which is prior to the date of allotment of the new shares.
- (vii) The Options shall not carry any right to vote at any 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 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:

|  | 2018  | 2017  |
|--|-------|-------|
| Fair value of share options at the following grant dates (RM): |       |       |
| 5 May 2018   | 3.12  | -     |
| 28 September 2017  | -     | 3.60  |
| Weighted average share price (RM)                              | 3.29  | 3.99  |
| Weighted average exercise price (RM)                           | 3.58  | 3.60  |
| Expected volatility (%)  | 27.50 | 25.36 |
| Expected life (years)  | 5     | 5     |
| Risk free rate (%)   | 3.25  | 3.25  |
| Expected dividend yield (%)                                    | 0     | 0     |

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.



### 35. Employee benefits (Continued)

Employee Share Options Scheme ("ESOS") (Continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

|              | Outstanding<br>1 January<br>'000 | Granted<br>'000 | Movements during the year |   |                 | Outstanding<br>31 December<br>'000 | Exercisable<br>31 December<br>'000 |
|--------------|----------------------------------|-----------------|---------------------------|---|-----------------|------------------------------------|------------------------------------|
|              |                                  |                 | Exercised<br>'000         | Forfeited<br>and other<br>adjustments<br>'000 | Expired<br>'000 |                                    |                                    |
| <b>2018</b>  |                                  |                 |                           |   |                 |                                    |                                    |
| 2018 options | -                                | 1,529           | -                         | (156)   | -               | 1,373                              | 210                                |
| 2017 options | 36,886                           | -               | (56)                      | (1,784)                                       | -               | 35,046                             | 16,838                             |
| WAEP         | 3.60                             | 3.12            | 3.60                      | 3.56  | -               | 3.58                               | 3.59                               |
| <b>2017</b>  |                                  |                 |                           |   |                 |                                    |                                    |
| 2017 options | -                                | 36,959          | (28)                      | (45)  | -               | 36,886                             | 13,578                             |
| WAEP         | -                                | 3.60            | 3.60                      | 3.60  | -               | 3.60                               | 3.60                               |

(i) Details of share options outstanding at the end of the year:

| Grant date | WAEP<br>RM | Exercisable Period     |
|------------|------------|------------------------|
| 2018       | 3.12       | 25.5.2018 - 31.3.2026  |
| 2017       | 3.60       | 27.10.2017 - 31.3.2026 |

(ii) Share options exercised during the year

Option exercised during the financial year resulted in the issuance of 55,900 (2017: 706,880) ordinary shares at an average price of RM3.60 (2017: RM2.19) each. The related weighted average share price at the date of exercise was 3.61 (2017: 3.99).

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36. 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     |                |
|---------------------------------------|-----------------|----------------|----------------|----------------|
|                                       | 2018<br>RM'000  | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Financial liabilities:</b>         |                 |                |                |                |
| <b>Group</b>                          |                 |                |                |                |
| Non-current                           |                 |                |                |                |
| Interest-bearing loans and borrowings |                 |                |                |                |
| - Obligations under finance leases    | 6,008           | 5,930          | 6,031          | 6,124          |
| <b>Financial liabilities:</b>         |                 |                |                |                |
| <b>Company</b>                        |                 |                |                |                |
| Non-current                           |                 |                |                |                |
| Interest-bearing loans and borrowings |                 |                |                |                |
| - Obligations under finance leases    | 266             | 387            | 266            | 387            |

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

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   | 21   |
| Trade and other payables  | 27   |
| Loan and borrowings (current and non-current except non-current fixed rates loans and borrowings) | 26   |

### 37. Fair value measurement

#### Fair value hierarchy

The Group and the Company classify 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)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities:

|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| <b>Group</b>  |                   |                   |                   |                 |
| <b>31 December 2018</b>                             |                   |                   |                   |                 |
| <b>Assets for</b>                                   |                   |                   |                   |                 |
| Derivatives   |                   |                   |                   |                 |
| - Commodity forward contracts                       | -                 | 98                | -                 | 98              |
| - Forward currency contracts - US dollar            | -                 | 1,495             | -                 | 1,495           |
| - Cash flow hedge                                   | -                 | 1,952             | -                 | 1,952           |
| <b>Liabilities for</b>                              |                   |                   |                   |                 |
| Interest-bearing loans and borrowings - non-current |                   |                   |                   |                 |
| - Obligations under finance leases                  | -                 | 6,031             | -                 | 6,031           |
| Derivatives   |                   |                   |                   |                 |
| - Commodity forward contracts                       | -                 | 1,699             | -                 | 1,699           |
| - Interest rate swaps                               | -                 | 4                 | -                 | 4               |
| - Cash flow hedge                                   | -                 | 144               | -                 | 144             |

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
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**37. Fair value measurement (Continued)**

**Fair value hierarchy (Continued)**

|   | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| <b>Group</b>  |                   |                   |                   |                 |
| <b>31 December 2017</b>                             |                   |                   |                   |                 |
| <b>Assets for</b>                                   |                   |                   |                   |                 |
| Derivatives   |                   |                   |                   |                 |
| - Commodity forward contracts                       | -                 | 4,137             | -                 | 4,137           |
| - Commodity swaps                                   | -                 | 2,432             | -                 | 2,432           |
| - Forward currency contracts - US dollar            | -                 | 2,519             | -                 | 2,519           |
| - Cash flow hedge                                   | -                 | 544               | -                 | 544             |
| <b>Liabilities for</b>                              |                   |                   |                   |                 |
| Interest-bearing loans and borrowings - non-current |                   |                   |                   |                 |
| - Obligations under finance leases                  | -                 | 6,124             | -                 | 6,124           |
| Derivatives   |                   |                   |                   |                 |
| - Commodity forward contracts                       | -                 | 4,559             | -                 | 4,559           |
| - Interest rate swaps                               | -                 | 99                | -                 | 99              |
| - Cash flow hedges                                  | -                 | 195               | -                 | 195             |
| <hr/>   |                   |                   |                   |                 |
| <b>Company</b>                                      |                   |                   |                   |                 |
| <b>31 December 2018</b>                             |                   |                   |                   |                 |
| <b>Liabilities for</b>                              |                   |                   |                   |                 |
| Interest-bearing loans and borrowings - non-current |                   |                   |                   |                 |
| - Obligations under finance leases                  | -                 | 266               | -                 | 266             |
| <hr/>   |                   |                   |                   |                 |
| <b>31 December 2017</b>                             |                   |                   |                   |                 |
| <b>Assets for</b>                                   |                   |                   |                   |                 |
| - Derivatives                                       |                   |                   |                   |                 |
| - Commodity swap                                    | -                 | 2,432             | -                 | 2,432           |
| <b>Liabilities for</b>                              |                   |                   |                   |                 |
| Interest-bearing loans and borrowings - non-current |                   |                   |                   |                 |
| - Obligations under finance leases                  | -                 | 387               | -                 | 387             |
| <hr/>   |                   |                   |                   |                 |

There have been no transfers between Level 1 and Level 2 during the financial year.

### 38. 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.

#### 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 21.

#### Financial assets that are past due and impaired

Information regarding financial assets that are past due and impaired is disclosed in Note 21.

#### Corporate financial guarantees

The Company provides corporate financial guarantees to financial institutions on subsidiaries' bank loans at a total nominal amount of RM1,119,000,000 (2017: RM1,073,903,000).

**38. Financial risk management objectives and policies (Continued)**

**(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.

| <b>Group</b>                                    | <b>On demand<br/>or within 1 year<br/>RM'000</b> | <b>Between<br/>1 to 5 years<br/>RM'000</b> | <b>Over<br/>5 years<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|--|--|------------------------------------|-------------------------|
| At 31 December 2018                             |  |  |                                    |                         |
| Financial liabilities:                          |  |  |                                    |                         |
| Derivatives                                     | 1,847  | -  | -                                  | 1,847                   |
| Trade and other payables                        | 232,235  | -  | -                                  | 232,235                 |
| Loans and borrowings                            | 556,549  | 698,186                                    | 154,605                            | 1,409,340               |
| <b>Total undiscounted financial liabilities</b> | <b>790,631</b>                                   | <b>698,186</b>                             | <b>154,605</b>                     | <b>1,643,422</b>        |
| At 31 December 2017                             |  |  |                                    |                         |
| Financial liabilities:                          |  |  |                                    |                         |
| Derivatives                                     | 4,853  | -  | -                                  | 4,853                   |
| Trade and other payables                        | 295,133  | -  | -                                  | 295,133                 |
| Loans and borrowings                            | 656,508  | 652,870                                    | 257,499                            | 1,566,877               |
| <b>Total undiscounted financial liabilities</b> | <b>956,494</b>                                   | <b>652,870</b>                             | <b>257,499</b>                     | <b>1,866,863</b>        |

**38. Financial risk management objectives and policies (Continued)**

**(b) Liquidity risk (Continued)**

| Company   | On demand<br>or within 1 year<br>RM'000 | Between<br>1 to 5 years<br>RM'000 | Total<br>RM'000  |
|---|---|-----------------------------------|------------------|
| At 31 December 2018                             |   |                                   |                  |
| Financial liabilities:                          |   |                                   |                  |
| Trade and other payables                        | 83,809                                  | -                                 | 83,809           |
| Loans and borrowings                            | 30,602                                  | 230,509                           | 261,111          |
| Financial guarantee contracts*                  | 1,119,000                               | -                                 | 1,119,000        |
| <b>Total undiscounted financial liabilities</b> | <b>1,233,411</b>                        | <b>230,509</b>                    | <b>1,463,920</b> |
| At 31 December 2017                             |   |                                   |                  |
| Financial liabilities:                          |   |                                   |                  |
| Trade and other payables                        | 85,068                                  | -                                 | 85,068           |
| Loans and borrowings                            | 26,889                                  | 216,800                           | 243,689          |
| Financial guarantee contracts*                  | 1,073,903                               | -                                 | 1,073,903        |
| <b>Total undiscounted financial liabilities</b> | <b>1,185,860</b>                        | <b>216,800</b>                    | <b>1,402,660</b> |

\* Based on the maximum amount that can be called under the financial guarantee contracts.

**(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.

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 RM959,000 (2017: RM1,065,000) 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.

**38. Financial risk management objectives and policies (Continued)**

**(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 |        |
|---------------------------|---------|---------|---------|--------|
|                           | 2018    | 2017    | 2018    | 2017   |
|                           | RM'000  | RM'000  | RM'000  | RM'000 |
| USD/RM - strengthen by 5% | (6,626) | (4,283) | 8       | 8      |
| USD/RM - weaken by 5%     | 6,626   | 4,283   | (8)     | (8)    |

**(e) Commodity price risk**

The prices of crude palm oil and refined product 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% (2017: 5%) increase/decrease of the commodity price indices, with all other variables held constant, would have increased/decreased profit before tax by RM6,820,000 (2017: RM6,310,000).



### 39. 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 2018 and 31 December 2017.

|                      | Note | Group          |                | Company        |                |
|----------------------|------|----------------|----------------|----------------|----------------|
|                      |      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Loans and borrowings | 26   | 1,271,854      | 1,412,881      | 226,626        | 205,284        |
| Total equity         |      | 2,250,830      | 2,213,831      | 2,071,838      | 2,045,374      |
| Gearing ratio        |      | 56.51%         | 63.82%         | 10.94%         | 10.04%         |

### 40. 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.

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40. Segment information (Continued)

|                                       | Oil Palm       |                | Property development |                | Adjustments and eliminations |                | Per consolidated financial statements |            |
|---------------------------------------|----------------|----------------|----------------------|----------------|------------------------------|----------------|---------------------------------------|------------|
|                                       | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000       | 2017<br>RM'000 | 2018<br>RM'000               | 2017<br>RM'000 | 2018<br>RM'000                        | 2017<br>RM |
| <b>Revenue:</b>                       |                |                |                      |                |                              |                |                                       |            |
| External customers                    | 3,586,936      | 4,899,448      | 16,962               | 13,903         | -                            | -              | 3,603,898                             | 4,913,351  |
| Inter-segment                         | 4,229,709      | 3,957,666      | -                    | -              | (4,229,709)                  | (3,957,666)    | -                                     | -          |
| Total revenue                         | 7,816,645      | 8,857,114      | 16,962               | 13,903         | (4,229,709)                  | (3,957,666)    | 3,603,898                             | 4,913,351  |
| <b>Results:</b>                       |                |                |                      |                |                              |                |                                       |            |
| Interest income                       | 29,887         | 35,996         | 139                  | 89             | (8,351)                      | (16,214)       | 21,675                                | 19,871     |
| Dividend income                       | 11,060         | 63,260         | -                    | -              | (11,060)                     | (63,260)       | -                                     | -          |
| Depreciation and amortisation         | 135,543        | 133,714        | 391                  | 351            | 6,367                        | 6,519          | 142,301                               | 140,584    |
| Share of results of associates        | -              | -              | -                    | -              | -                            | (1,491)        | -                                     | (1,491)    |
| Fair value (gain)/loss on derivatives | (4,426)        | 21,809         | -                    | -              | -                            | -              | (4,426)                               | 21,809     |
| Other non-cash expenses               | 6,927          | 23,403         | 680                  | 247            | -                            | (9,090)        | 7,607                                 | 14,560     |
| Segment profit                        | 102,727        | 408,929        | 3,618                | 731            | 2,652                        | (58,202)       | 108,997                               | 351,458    |
| <b>Assets:</b>                        |                |                |                      |                |                              |                |                                       |            |
| Investment in associates              | -              | 45             | -                    | -              | -                            | (45)           | -                                     | -          |
| Additions to non-current assets       | 158,843        | 125,888        | 82                   | 122            | (2,952)                      | (22,205)       | 155,973                               | 103,805    |
| Segment assets                        | 5,669,077      | 5,786,633      | 91,144               | 89,093         | (1,634,208)                  | (1,586,074)    | 4,126,013                             | 4,289,652  |
| Segment liabilities                   | 2,175,940      | 2,330,800      | 53,368               | 48,657         | (354,125)                    | (307,472)      | 1,875,183                             | 2,071,985  |

**40. 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 | 2018<br>RM'000 | 2017<br>RM'000 |
|--|------|----------------|----------------|
| Share options granted under ESOS               | 10   | 5,221          | 10,618         |
| Property, plant and equipment written off      | 9    | 691            | 621            |
| Bearer plants written off                      | 9    | 387            | 3,016          |
| Impairment loss on trade and other receivables | 9    | 747            | 18             |
| Inventories written off                        | 9    | 7              | 7              |
| Inventories written down                       | 9    | 554            | -              |
| Impairment of property, plant and equipment    | 9    | -              | 280            |
|  |      | 7,607          | 14,560         |

- C The following items are added to/(deducted from) segment profit to arrive at “(Loss)/Profit before tax from continuing operations” presented in the consolidated statement of profit or loss:

|  | 2018<br>RM'000 | 2017<br>RM'000 |
|--|----------------|----------------|
| Dividend from subsidiaries             | (11,060)       | (63,260)       |
| Profit/(Loss) from inter-segment sales | 6,729          | (7,862)        |
| Finance costs                          | (510)          | (389)          |
| Share of results of an associate       | -              | (1,491)        |
| Unallocated corporate expenses         | 7,493          | 14,800         |
|  | 2,652          | (58,202)       |

- D Additions to non-current assets consist of:

|                               |         |         |
|-------------------------------|---------|---------|
| Property, plant and equipment | 105,177 | 56,449  |
| Bearer plants                 | 50,716  | 47,251  |
| Land use rights               | 80      | 105     |
|                               | 155,973 | 103,805 |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 31 DECEMBER 2018

### 40. Segment information (Continued)

- E The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

|                            | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> |
|----------------------------|------------------------------|------------------------------|
| Investment in an associate | -                            | (45)                         |
| Inter-segment assets       | (1,634,208)                  | (1,586,029)                  |
|                            | <u>(1,634,208)</u>           | <u>(1,586,074)</u>           |

- F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

|                           | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> |
|---------------------------|------------------------------|------------------------------|
| Deferred tax liabilities  | 100,725                      | 98,859                       |
| Inter-segment liabilities | (454,850)                    | (406,331)                    |
|                           | <u>(354,125)</u>             | <u>(307,472)</u>             |

### Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

|           | <b>Revenue</b>               |                              | <b>Non-current assets</b>    |                              |
|-----------|------------------------------|------------------------------|------------------------------|------------------------------|
|           | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> |
| Malaysia  | 757,968                      | 2,138,460                    | 2,617,017                    | 2,610,331                    |
| Singapore | 2,845,930                    | 2,774,891                    | 13,827                       | 13,990                       |
|           | <u>3,603,898</u>             | <u>4,913,351</u>             | <u>2,630,844</u>             | <u>2,624,321</u>             |

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

|  | <b>2018</b><br><b>RM'000</b> | <b>2017</b><br><b>RM'000</b> |
|--|------------------------------|------------------------------|
| Property, plant and equipment                    | 1,559,560                    | 1,547,257                    |
| Bearer plants                                    | 1,028,805                    | 1,030,946                    |
| Land use rights                                  | 4,996                        | 5,016                        |
| Inventories - Land held for property development | 37,483                       | 41,102                       |
|  | <u>2,630,844</u>             | <u>2,624,321</u>             |

#### 41. Dividends

|  | Group/Company |        |
|--|---------------|--------|
|  | 2018          | 2017   |
|  | RM'000        | RM'000 |
| Recognised during the financial year:  |               |        |
| Dividends on ordinary shares:  |               |        |
| Final dividend for 2017:   |               |        |
| 6 Sen (2016: 5 Sen) per share  | 34,252        | 28,540 |
| 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 2018:   |               |        |
| 5 Sen (2017: 6 Sen) per share  | 28,544        | 34,249 |

#### 42. Contingent liabilities

Details of contingent liabilities are as follows:

- (a) On 30 September 2010, SOP Plantations (Borneo) Sdn. Bhd., a subsidiary of the Company had been served with a Writ of Summons ("the Writ") in the High Court of Sabah and Sarawak at Bintulu under Suit No. 21-06-2010(BTU) ("Douglas Ding Suit") wherein it was named as the fifth (5th) defendant along with other defendants which include Government of Sarawak, Director of Forests, Superintendent of Land & Surveys, Kapit and Pusaka KTS Forests Plantation Sdn. Bhd.

The High Court has made a judgment on 8 August 2014, and the area affected is insignificant and has no significant impact to the Company.

On 3 September 2014, the plaintiff appealed against the judgment of the High Court on 8 August 2014 and similarly, the Company had filed a cross appeal against the same judgment on 4 November 2014.

Subsequently, the native residents of a nearby settlement of Uma Long Bangan, i.e. Uma Kahei, Long Mekero, applied to the Court of Appeal to be added as a party (as respondents) to the same appeal filed by the Plaintiff which was allowed by the Court of Appeal on 20 April 2016. In response, the Plaintiff filed a motion for leave to appeal to the Federal Court against the said Court of Appeal's decision made on 20 April 2016.

The Plaintiff/NCR Claimants of Uma Long Bangan have thereafter filed an application to the Court of Appeal, seeking a stay of their appeal against the High Court's decision of 8 August 2014, until the disposal of the above said motion for leave to appeal to the Federal Court (against the Court of Appeal's decision of 20 April 2016).

On 18 August 2016, the Court of Appeal had granted Douglas Ding Jagan and the residents of Uma Long Bangan a stay of hearing of their appeal pending the disposal of their motion for leave to appeal to the Federal Court.

**42. Contingent liabilities (Continued)**

Details of contingent liabilities are as follows (Continued):

The Federal Court has refused the application for leave to appeal to the Federal Court on 13 September 2017. The net effect on this being the residents of Rumah Kahei, Long Mekero are interveners to be parties on the main appeal pending before the Court of Appeal. On 8 February 2018, the Court of Appeal dismissed the appeal made by Plaintiff and allowed the cross appeal of the Company over the judgment made on 8 August 2014. The plaintiff thereafter has on 7 March 2018 applied for leave to the Federal Court to appeal the decision of the Court of Appeal.

On 24 October 2018, the Federal Court has rejected the leave application against the Court of Appeal judgement that the plaintiff has no NCR rights over the area originally claimed by them, except one leave granted on the question arising out of the cross appeals in respect of the numbered patches of land. No hearing date had been fixed.

- (b) On 8 May 2017, SOPB Pte Ltd, a subsidiary of SOPB, had been served with a Writ of Summons and Statement of Claim in the High Court of the Republic of Singapore under Case No. HC/S 398/2017 (the "Case") wherein it was named as the defendant.

The Case was initiated by Posco Daewoo Corporation (formerly known as Daewoo International Corporation) (the "Plaintiff") claiming against the defendant for damages amounting to USD3.55 million that arises out of a sales contract dispute between the parties in determining the rightful recipient of the letter of indemnity issued by the defendant.

The liquidator was appointed to place SOPB Pte Ltd under creditors' voluntary liquidation.

On 19 April 2018, on behalf the Plaintiff, its Solicitors had filed a Notice of Discontinuance/Withdrawal in the High Court of the Republic of Singapore, to discontinue its action against the Defendant under the Case.

**43. Authorisation of financial statements for issue**

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 26 April 2019.

| Location of Properties  | Year of Acquisition/<br>Revaluation | Tenure                   | Year of Expiry | Area in Hectares | Description                      | Age of Building (Years) | Net Book Value As at 31 Dec 2018 (RM'000) |
|---|-------------------------------------|--------------------------|----------------|------------------|----------------------------------|-------------------------|---|
| Lambir 1, 2 Estate<br>KM 41, Miri – Bintulu Road, Miri Sarawak                | 1971-1981                           | Leasehold 87 to 97 years | 2067           | 4,614            | Oil Palm Estate<br>Palm Oil Mill | 12                      |   |
| Suai 1 Estate<br>KM 120, Miri – Bintulu Road, Miri Sarawak                    | 1989-1991                           | Leasehold 99 years       | 2084-2090      | 3,183            | Oil Palm Estate<br>Palm Oil Mill | 17                      |   |
| Suai 2 Estate<br>KM 115, Miri – Bintulu Road, plus further 9KM                | 1989                                | Leasehold 99 years       | 2085           | 2,762            | Oil Palm Estate                  |                         | 194,705                                   |
| Tinbarap 9 Estate<br>KM 22, Miri – Bintulu Road, Off KM 45, From BLD Junction | 2010-2011                           | Leasehold 60 years       | 2068-2070      | 1,195            | Oil Palm Estate                  |                         |   |
| Miri Office<br>No. 124-126, Jalan Bendahara, 98000 Miri                       | 2004                                | Leasehold 60 years       | 2042           | -                | Registered Office - 445 sq.m.    | 34                      |   |
| Balingian Estate<br>KM 8, Balingian – Mukah Road, Balingian                   | 1997-1999                           | Leasehold 60 years       | 2057-2059      | 3,977            | Oil Palm Estate<br>Palm Oil Mill | 12                      | 45,706                                    |
| Tibus Estate<br>Lot 157, Suai   | 2003                                | Leasehold 60 years       | 2063           | 1,499            | Oil Palm Estate                  |                         |   |
| Lamaus Estate<br>KM 3, Jalan Ulu Niah, Off KM 110, Miri – Bintulu Road, Miri  | 2003                                | Leasehold 60 years       | 2063           | 3,814            | Oil Palm Estate                  |                         | 66,503                                    |
| Suai Estate, Niah<br>Lot 157, Suai  | 2004                                | Leasehold 60 years       | 2064           | 3,337            | Oil Palm Estate                  |                         |   |
| Niah Estate<br>KM 3, Kubur Road, Off Sepupok, Niah                            | 1999                                | Leasehold 60 years       | 2059           | 4,995            | Oil Palm Estate                  |                         | 46,130                                    |
| Taniku Estate<br>Jalan Pujut 7, Permyjaya KM 9 East of Miri                   | 2003                                | Leasehold 60 years       | 2058           | 4,858            | Oil Palm Estate                  |                         |   |
| Sepakau Estate<br>KM 81, Jalan Bakun off KM 53, Jalan Bintulu – Miri          | 2003                                | Leasehold 60 years       | 2057-2059      | 9,030            | Oil Palm Estate<br>Oil Palm Mill | 10                      | 114,180                                   |
| Karabungan Estate<br>KM 48, Miri – Bintulu Road, Miri                         | 2005                                | Leasehold 60 years       | 2058           | 2,023            | Oil Palm Estate                  |                         | 25,730                                    |

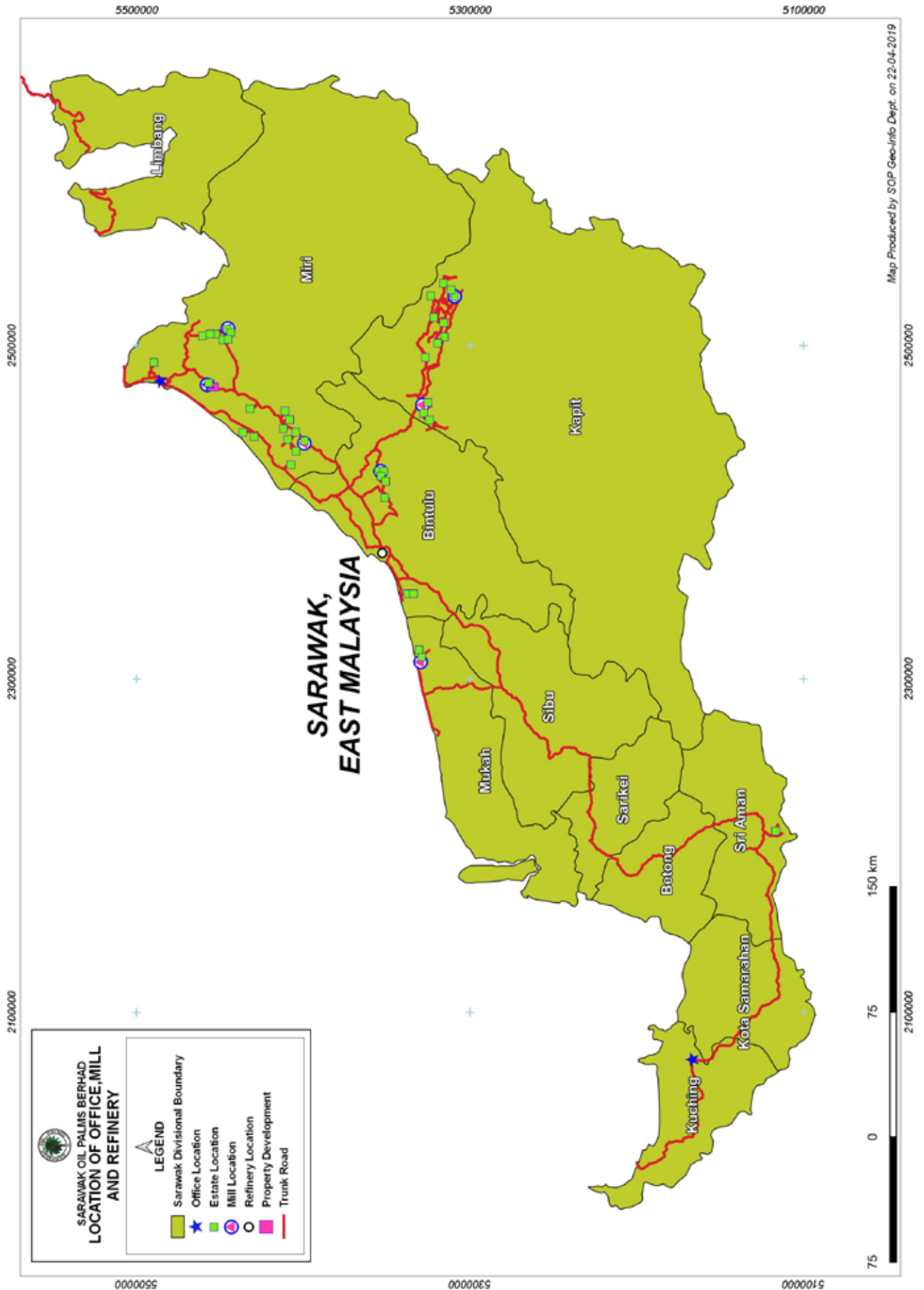
# PROPERTIES OF THE GROUP (CONT'D)

## AS AT 31 DECEMBER 2018

| Location of Properties  | Year of Acquisition/<br>Revaluation | Tenure                      | Year of Expiry | Area in Hectares | Description  | Age of Building (Years) | Net Book Value As at 31 Dec 2018 (RM'000) |
|---|-------------------------------------|-----------------------------|----------------|------------------|--|-------------------------|---|
| Tatau Estate<br>KM 40, Bintulu – Sibul Road, Off KM 13, Tatau                           | 2008                                | Leasehold 99 years          | 2103           | 3,840            | Oil Palm Estate  |                         |   |
| Sebung Estate<br>KM 25, Bintulu – Miri Road, KM 19 To Sebauh                            | 2006                                | Leasehold 99 years          | 2103           | 1,646            | Oil Palm Estate  |                         | 198,700                                   |
| Sabaju 1, 2 Estate<br>KM 53, Bintulu – Miri, KM 31 Bakun Road                           | 2006                                | Leasehold 99 years          | 2104           | 4,880            | Oil Palm Estate<br>Palm Oil Mill   | 7                       |   |
| Tinbarap Estate<br>KM 22, Miri – Bintulu Road, Off KM 45, From BLD Junction             | 2007                                | Leasehold 99 years          | 2106           | 12,910           | Oil Palm Estate<br>Palm Oil Mill   | 5                       | 271,668                                   |
| Batu Lintang Estate<br>Ulu Undop NCR, Sri Aman District                                 | 2008                                | NCR Native Land<br>60 years | NA             | 2,326            | Oil Palm Estate  |                         | 49,158                                    |
| Sabaju Estate<br>KM 53, Bintulu – Miri, KM 31 Bakun Road                                | 2010                                | Leasehold 99 years          | 2114           | 4,011            | Oil Palm Estate  |                         | 71,195                                    |
| POIC, Bintulu<br>Lot 4270, 4277, 4278, Block 26, Kemena LD                              | 2012                                | Leasehold 60 years          | 2074           | 40               | Palm Oil Refinery Plant,<br>Palm Kernel Crushing<br>Plant, Biodiesel Plant,<br>Phytonutrient Plant,<br>Consumer Packaging<br>Plant & Other Amenities | 4 to 7                  | 289,287                                   |
| Land – Kuching/Miri<br>Lot 6918, Lambir LD<br>Lot 76, Block 233, Kuching North LD       | 2007-2012                           | Leasehold 60 to 99<br>years | 2038-2069      | 21               | Land Held for Future<br>Development  |                         | 26,872                                    |
| Murum Estate<br>Sungai Maleh, Belaga Blk 89 & Blk 90 Murum LD 96950<br>Murum Sarawak    | 2016                                | Leasehold 60 years          | 2076           | 47,000           | Oil Palm Estate<br>Palm Oil Mill<br>Land under Oil Palm<br>Development   | 7                       | 663,244                                   |
| Singapore Office<br>133 New Bridge Road, #20-09/10 Chinatown Point,<br>Singapore 059413 | 2016                                | Leasehold 99 years          | 2079           | -                | Office Unit - 223 sq.m.  | 27                      | 13,703                                    |



# LOCATION OF PROPERTIES OF THE GROUP IN SARAWAK



# ANALYSIS OF SHAREHOLDINGS

## AS AT 29 MARCH 2019

### SHARE CAPITAL

|                       |                                 |
|-----------------------|---------------------------------|
| Authorised            | : 5,000,000,000 Ordinary Shares |
| Issued and Fully Paid | : 570,874,146 Ordinary Shares   |
| Voting Rights         | : One Vote Per Share            |

### DISTRIBUTION OF SHAREHOLDERS

| Size of Holdings                         | No. of Shareholders | % of Shareholders | No. of Shares      | % of Issue Capital |
|--|---------------------|-------------------|--------------------|--------------------|
| Less than 100                            | 172                 | 3.99              | 2,733              | 0.00               |
| 100 – 1,000                              | 924                 | 21.41             | 531,369            | 0.09               |
| 1,001 – 10,000                           | 2,307               | 53.45             | 9,421,724          | 1.65               |
| 10,001 – 100,000                         | 773                 | 17.90             | 22,256,352         | 3.90               |
| 100,001 to less than 5% of issued shares | 135                 | 3.13              | 149,329,598        | 26.16              |
| 5% and above of issued shares            | 5                   | 0.12              | 389,332,370        | 68.20              |
| <b>TOTAL</b>                             | <b>4,316</b>        | <b>100.00</b>     | <b>570,874,146</b> | <b>100.00</b>      |

### SUBSTANTIAL SHAREHOLDERS

|  | No. of Shares Held | % of Issued Capital |
|--|--------------------|---------------------|
| 1. PELITA HOLDINGS SDN BHD   | 115,626,600        | 20.25               |
| 2. AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEGDED SECURITIES ACCOUNT – AMBANK (M)<br>BERHAD FOR SHIN YANG PLANTATION SDN BHD | 103,064,478        | 18.05               |
| 3. CIMB GROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR DBS BANK LTD (SFS-PB)  | 65,948,870         | 11.55               |
| 4. SHIN YANG PLANTATION SDN BHD  | 59,723,422         | 10.46               |
| 5. STATE FINANCIAL SECRETARY SARAWAK   | 44,969,000         | 7.88                |
| 6. TAN SRI DATUK LING CHIONG HO  | 40,047,600         | 7.01                |

### DIRECTORS' INTERESTS IN SHARES

| Size of Holdings   | Direct Interest |                     | Deemed Interest            |                     |
|--|-----------------|---------------------|----------------------------|---------------------|
|  | No. of Shares   | % of Issued Capital | No. of Shares              | % of Issued Capital |
| <b>In the company</b>                                    |                 |                     |                            |                     |
| Tan Sri Datuk Ling Chiong Ho                             | 40,047,600      | 7.01                | 162,787,900 <sup>(1)</sup> | 28.51               |
| Ling Chiong Sing   | -               | -                   | 162,787,900 <sup>(1)</sup> | 28.51               |
| Ling Lu Kuang  | -               | -                   | 44,650,000 <sup>(2)</sup>  | 7.82                |
| Tang Tiong Ing   | 55,131          | 0.01                | -                          | -                   |
| Hasbi Bin Suhaili <i>(Resigned on 8 May 2018)</i>        | -               | -                   | -                          | -                   |
| Fong Yoo Kaw @ Fong Yee Kow, Victor                      | -               | -                   | -                          | -                   |
| Dr. Lai Yew Hock, Dominic                                | 50,657          | 0.01                | -                          | -                   |
| Kamri Bin Ramlee   | -               | -                   | -                          | -                   |
| Chua Chen San  | -               | -                   | -                          | -                   |
| Dato Sri Haji Ahmad Tarmizi Bin Haji Sulaiman            | -               | -                   | -                          | -                   |
| Hasmawati Binti Sapawi                                   | -               | -                   | -                          | -                   |
| Monaliza Binti Zaidel <i>(Appointed on 26 July 2018)</i> | -               | -                   | -                          | -                   |

#### Note

- 1) Indirect interest held through Shin Yang Plantation Sdn. Bhd.
- 2) Indirect interest held through Agape International Pte. Ltd.

## THIRTY LARGEST SHAREHOLDERS AS AT 29 MARCH 2019

| NO. | NAME  | NO OF SHARES | SHARES % |
|-----|---|--------------|----------|
| 1   | PELITA HOLDINGS SDN BHD   | 115,626,600  | 20.25    |
| 2   | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG<br>PLANTATION SDN BHD                     | 103,064,478  | 18.05    |
| 3   | CIMB GROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR DBS BANK LTD (SFS-PB)  | 65,948,870   | 11.55    |
| 4   | SHIN YANG PLANTATION SDN BHD  | 59,723,422   | 10.46    |
| 5   | STATE FINANCIAL SECRETARY SARAWAK   | 44,969,000   | 7.88     |
| 6   | AMSEC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT– AMBANK (M) BERHAD FOR LING CHIONG HO                                       | 20,500,000   | 3.59     |
| 7   | LING CHIONG HO  | 19,547,600   | 3.42     |
| 8   | UOBM NOMINEES (ASING) SDN BHD<br>UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR PERRA GROUP LIMITED  | 18,057,085   | 3.16     |
| 9   | PEKAN MEGAH SDN BHD   | 7,477,176    | 1.31     |
| 10  | TEOH GUAN KOK & CO. SDN. BERHAD   | 5,499,188    | 0.96     |
| 11  | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC STRATEGIC SMALLCAP FUND  | 4,483,100    | 0.79     |
| 12  | RHB NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR LAW KIONG HOLDINGS SDN. BHD.  | 3,883,000    | 0.68     |
| 13  | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR WONG ING YUNG (PB)   | 3,653,300    | 0.64     |
| 14  | DB (MALAYSIA) NOMINEE (ASING) SDN BHD<br>EXEMPT AN FOR BANK OF SINGAPORE LIMITED  | 3,480,000    | 0.61     |
| 15  | AMANAHRAYA TRUSTEES BERHAD<br>PB SMALLCAP GROWTH FUND   | 2,897,400    | 0.51     |
| 16  | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS<br>ISLAMIC SMALL-CAP FUND | 2,853,700    | 0.50     |
| 17  | CIMB COMMERCE TRUSTEE BERHAD<br>PUBLIC FOCUS SELECT FUND  | 2,667,414    | 0.47     |
| 18  | UOB KAY HIAN NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)   | 2,414,636    | 0.42     |
| 19  | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC TREASURES GROWTH FUND  | 2,313,257    | 0.41     |
| 20  | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC SMALLCAP FUND  | 2,278,700    | 0.40     |
| 21  | WONG HEE KWONG  | 2,245,600    | 0.39     |
| 22  | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON (6000006)   | 2,000,000    | 0.35     |
| 23  | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (PHEIM)   | 1,600,000    | 0.28     |
| 24  | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR ERIC KIU KWONG SENG   | 1,496,457    | 0.26     |
| 25  | ADINAMAJU SDN BHD   | 1,307,420    | 0.23     |
| 26  | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCE<br>BERHAD (PAR-220082)                  | 1,284,900    | 0.23     |
| 27  | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR MAYBANK DIVIDEND TRUST FUND (5428)   | 1,261,900    | 0.22     |
| 28  | CITIGROUP NOMINEES (ASING) SDN BHD<br>CEP FOR PHEIM SICAV-SIF   | 1,132,343    | 0.20     |
| 29  | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOCIAL<br>(UOB AMM6939-406)                             | 1,090,400    | 0.19     |
| 30  | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT-HW FLEXI FUND<br>(270519)                            | 1,079,600    | 0.19     |

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 51<sup>st</sup> Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 26 June 2019 at 10.00 am for the following purposes:-

### AGENDA

- 1 To receive and adopt the annual accounts for the year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. **Please Refer to Note 6**
- 2 To declare a Final Dividend in respect of the financial year ended 31 December 2018 as recommended by the Directors. **(Resolution 1)**
- 3 To approve payment of Directors' fees in respect of the financial year ended 31 December 2018. **(Resolution 2)**
- 4 To approve the payment of Directors' Fees for the financial year ending 31 December 2019, payable quarterly in arrears after each month of completed service of the Directors during the financial year. **(Resolution 3)**
- 5 To approve the payment of Directors' benefit for the period from 1 January 2019 until the conclusion of the next Annual General Meeting. **(Resolution 4)**
- 6 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) Monaliza Binti Zaidel **(Resolution 5)**  
(b) Tang Tiong Ing **(Resolution 6)**  
(c) Kamri Bin Ramlee **(Resolution 7)**
- 7 To appoint Messrs KPMG PLT as Auditors of the Company in place of the retiring auditors, Messrs Ernst & Young and to authorise the Board of Directors to fix remuneration of Messrs. KPMG. **(Resolution 8)**
8. **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 the Malaysian Code on Corporate Governance (2017)  
  
"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 15 May 2019 ("Shareholders' Mandate") 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

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- 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;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholders' Mandate.

9 To transact any other business for which due notice shall be given.

### NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final single tier dividend of 5 sen per ordinary share for the financial year ended 31 December 2018 will be payable on 19 July 2019 to Depositors registered in the Records of Depositors at the close of business on 28 June 2019.

Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares deposited into Depositor's Securities Account before 12:30pm on 26 June 2019. (In respect of shares which are exempted from mandatory deposit)
- (b) Shares transferred into the Depositor's Securities Account before 4:00pm on 28 June 2019 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

30 April 2019

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, Boardroom 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. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

6. This agenda is meant for discussion only as under the provisions of Section 340(1) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders and hence, the matter will not be put forward for voting.
7. Resolution 08 proposed under Item 7 of the Agenda, if passed, will effect the appointment of Messrs. KPMG PLT as the Auditor of the Company in place of the retiring Messrs. Ernst & Young and shall hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed between the Directors and the Auditors.
8. Explanatory notes on Special Businesses:  
Resolution No. 09 - Continuation in office as Independent Non-Executive Director pursuant to the Malaysian Code on Corporate Governance (2017)
  - (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 nineteen years and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:
    - (i) 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.
    - (ii) He has always actively participated in Board and Board Committees discussions and has continuously provided an independent view to the Board.
    - (iii) He has the caliber, qualifications, experience and personal qualities to consistently challenge management in an effective and constructive manner.
    - (iv) Profile of the Director appears on page 11 of the Annual Report.

Resolution No. 10 - 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 15 May 2019 for more information.
9. Depositors who appear in the Record of Depositors as at 20 June 2019 shall be regarded as member of the Company entitled to attend the Fifty-first Annual General Meeting or appoint a proxy to attend and vote on his behalf.

### Personal Data Privacy

By submitting the proxy form, the shareholder accepts and agrees to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or services providers) for the purpose of preparation and compilation of documents relating to AGM (including adjournment thereof).

# STATEMENT ACCOMPANYING NOTICE

## OF THE FIFTY-FIRST ANNUAL GENERAL MEETING OF SARAWAK OIL PALMS BERHAD

### 1. Directors who are standing for Re-election

- |                           |                |
|---------------------------|----------------|
| (a) Monaliza Binti Zaidel | (Resolution 5) |
| (b) Tang Tiong Ing        | (Resolution 6) |
| (c) Kamri Bin Ramlee      | (Resolution 7) |

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 9 to 12 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 11 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                             | 6/6              |
| Ling Chiong Sing  | 01/12/2006                             | 6/6              |
| Ling Lu Kuang   | 27/06/2008                             | 6/6              |
| Tang Tiong Ing  | 16/06/1995                             | 5/6              |
| Hasbi Bin Suhaili   | 26/08/2005<br>(Resigned on 8 May 2018) | 1/2              |
| Dr. Lai Yew Hock, Dominic   | 24/02/2000                             | 6/6              |
| Kamri Bin Ramlee  | 01/04/2011                             | 6/6              |
| Fong Yoo Kaw @ Fong Yee Kow, Victor   | 28/04/2014                             | 6/6              |
| Chua Chen San   | 01/03/2016                             | 6/6              |
| Dato Sri Haji Ahmad Tarmizi Bin Haji Sulaiman<br>Hasmawati Binti Sapawi<br>(Alternate Director for Dato Sri Haji Ahmad<br>Tarmizi Bin Haji Sulaiman, appointed on 27/11/2017) | 10/08/2017                             | 6/6              |
| Monaliza Binti Zaidel   | 26/07/2018                             | 2/3              |

Number of meetings attended (first figure) number of meetings held while in office (second figure)

### 4. Details of the Board of Directors' Meeting held

Six Board Meetings were held during the year.

| Board Meeting    | Time      | Place  |
|------------------|-----------|--|
| 28 February 2018 | 10.00 a.m | Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak |
| 27 April 2018    | 2.00 p.m  | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak  |
| 22 May 2018      | 9.00 a.m  | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak  |
| 29 August 2018   | 10.00 a.m | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak  |
| 28 November 2018 | 10.00 a.m | Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak  |
| 19 December 2018 | 10.30 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 Fifty-first 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 (%) |
|-------------------------------|-------------------|---------------------------------|
|                               |                   |                                 |
| <b>and/or failing him/her</b> |                   |                                 |
|                               |                   |                                 |

as \*my/our proxy to vote for\* me/us and on\* my/our behalf at the Fifty-first Annual General Meeting of the Company to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 26 June 2019 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                         | Declaration of Final Dividend  |     |         |
| 2                         | Approval of Directors' fees for financial year ended 31 December 2018  |     |         |
| 3                         | Approval of Directors' fees for financial year ended 31 December 2019 payable on quarterly in arrears.                     |     |         |
| 4                         | Approval of Directors' Benefits for the period from 1 January 2019 until the conclusion of the next Annual General Meeting |     |         |
| 5                         | Re-election of retiring director: Monaliza Binti Zaidel  |     |         |
| 6                         | Re-election of retiring director: Tang Tiong Ing   |     |         |
| 7                         | Re-election of retiring director: Kamri Bin Ramlee   |     |         |
| 8                         | Appointment of Auditors  |     |         |
| <b>SPECIAL BUSINESSES</b> |  |     |         |
| 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 this .....day of ..... 2019

.....  
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. For an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy or proxies shall be in writing (in the common and usual form) under the hand of 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, Boardroom 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. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.
6. Depositors who appear in the Record of Depositors as at 20 June 2019 shall be regarded as member of the Company entitled to attend the Fifty-first Annual General Meeting or appoint a proxy to attend and vote on his behalf.

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Stamp

The Company Secretary  
**SARAWAK OIL PALMS BERHAD** (7949-M)  
No. 124-126, Jalan Bendahara  
98000 Miri  
Sarawak

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**SARAWAK OIL PALMS BERHAD** (7949-M)  
No.124-126, Jalan Bendahara  
98000 Miri, Sarawak