



SARAWAK OIL PALMS BERHAD
(7949-M)

ANNUAL REPORT 2017

BUILDING A SUSTAINABLE FUTURE

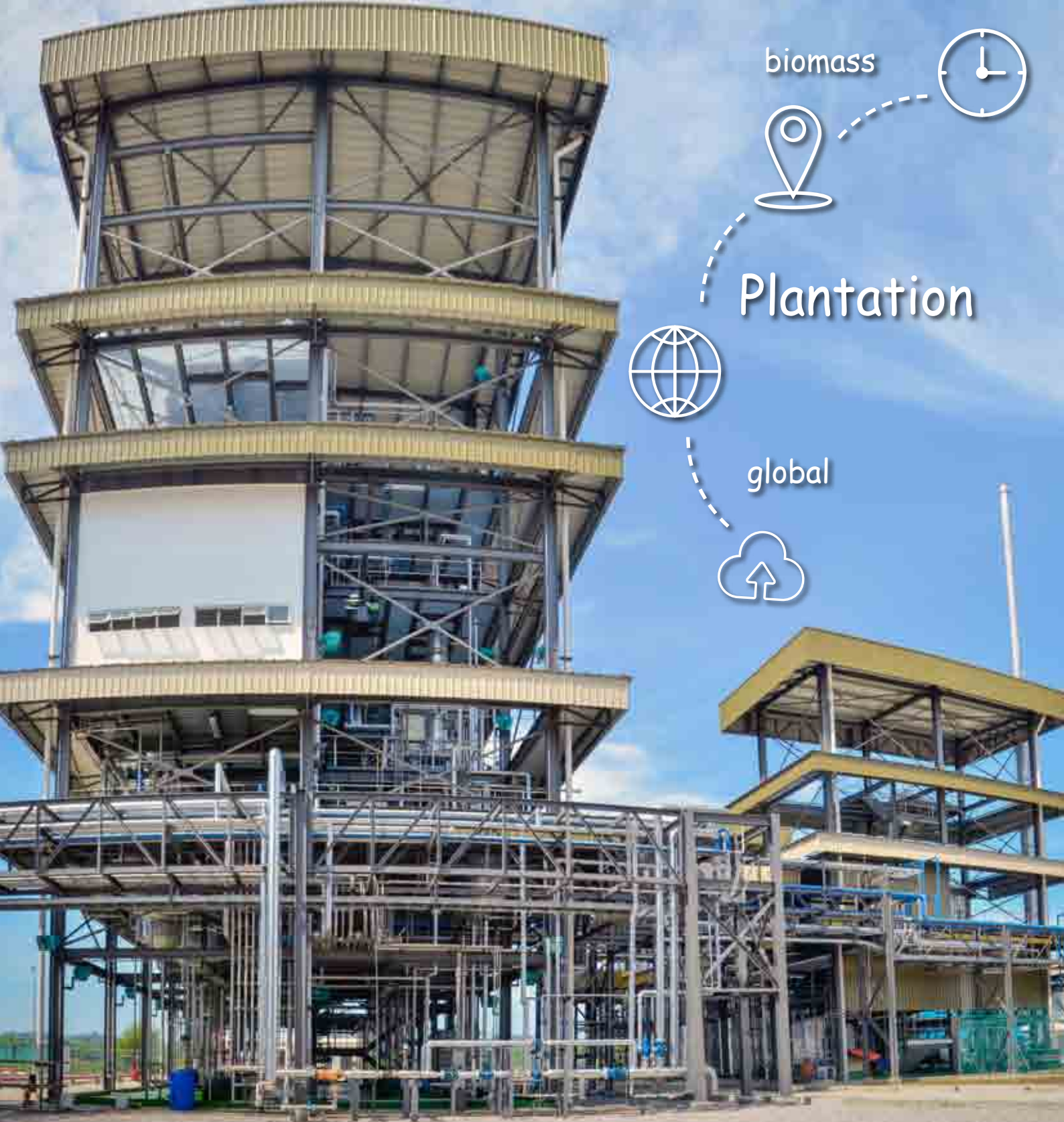


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GROUP HIGHLIGHTS



biomass



Plantation



global



professionals



Research & Development

focused



research



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Ten Years Financial Record

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Profile of Key Senior Management



TEN YEARS FINANCIAL RECORD

RESULTS	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
Turnover	683,520	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
Profit before taxation	208,560	134,659	222,135	361,984	213,935	139,631	160,136	123,762	195,960	359,772
Profit after taxation	153,886	106,537	164,282	266,202	163,602	100,636	123,399	91,903	142,288	258,609
Total shareholders' fund	736,121	828,777	974,156	1,217,615	1,363,961	1,231,619	1,330,724	1,403,784	1,874,679	2,097,229
Total assets	1,263,708	1,413,328	1,664,661	2,049,715	2,480,635	2,467,148	2,719,927	3,030,413	4,332,737	4,273,671
Total borrowing	235,822	275,659	305,447	418,783	644,554	825,636	931,424	1,101,849	1,188,332	1,412,881
Issued & paid-up capital	427,408	428,526	431,086	434,477	436,548	438,253	439,498	441,307	570,111	819,860
Dividend (Net of tax)	9,042	9,630	9,659	13,005	16,360	19,693	21,963	21,997	22,090	28,540

FINANCIAL STATISTICS

Profit before taxation / turnover (%)	30.5	25.2	30.5	31.0	16.3	8.2	5.6	3.4	4.4	7.3
Gross dividend (sen / share)	6.0	3.0	4.0	5.0	6.0	6.0	5.0	5.0	5.0	5.0
Net earnings per share (sen) - Basic	36.2	23.3	35.3	55.9	36.0	21.0	26.3	20.1	28.1	41.9
Net earnings per share (sen) - Diluted	35.9	22.9	34.6	54.7	35.5	20.7	26.0	20.0	28.0	41.8
Net tangible assets per share (RM)	1.72	1.93	2.26	2.80	3.12	2.80	3.03	3.17	3.29	3.67

SELLING PRICES

	2015 RM/Mt	2016 RM/Mt	2017 RM/Mt
Refined palm products	2,126	2,693	2,913
Crude Palm Oil	2,207	2,665	2,939
Palm Kernel Oil	3,322	4,986	5,072
Palm Kernel Cake	331	387	408
Palm Kernels (RM/mt delivered basis)	1,473	2,372	2,332

TEN YEARS CROP RECORD

Planted Hectareage, Production and Produce Prices

	2008 Ha	2009 Ha	2010 Ha	2011 Ha	2012 Ha	2013 Ha	2014 Ha	2015 Ha	2016 Ha	2017 Ha
OIL PALMS										
Mature	29,665	31,766	33,877	43,339	45,107	55,426	59,997	61,049	77,115	78,607
Immature	14,840	22,486	25,063	19,416	18,154	8,104	3,380	2,468	10,629	9,380
Total	44,505	54,252	58,940	62,755	63,261	63,530	63,377	63,517	87,744	87,986
Reserves, Unplanted, Building sites, etc	24,768	18,401	13,713	9,898	9,392	9,123	9,276	9,136	32,553	32,311
Total Area Under Lease	69,273	72,653	72,653	72,653	72,653	72,653	72,653	72,653	120,297	120,297

	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
FFB CROP										
Estate Crop	663,509	649,855	673,260	839,785	887,425	959,499	1,049,076	1,133,961	1,010,836	1,374,712
Outside Crop	421,771	395,963	462,949	665,514	798,106	853,066	770,991	692,580	603,405	669,525
Total	1,085,280	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
Crude Palm Oil (Produced)	226,919	225,056	238,204	310,760	347,548	364,600	367,015	355,468	315,221	411,930
Palm Kernels (Produced)	47,351	45,562	49,182	63,834	73,871	78,712	79,606	76,406	66,288	84,490
Total	1,312,199	1,270,874	1,374,413	1,816,059	2,033,079	2,177,165	2,187,082	2,182,009	1,929,462	2,456,167

YIELD PER HECTARE

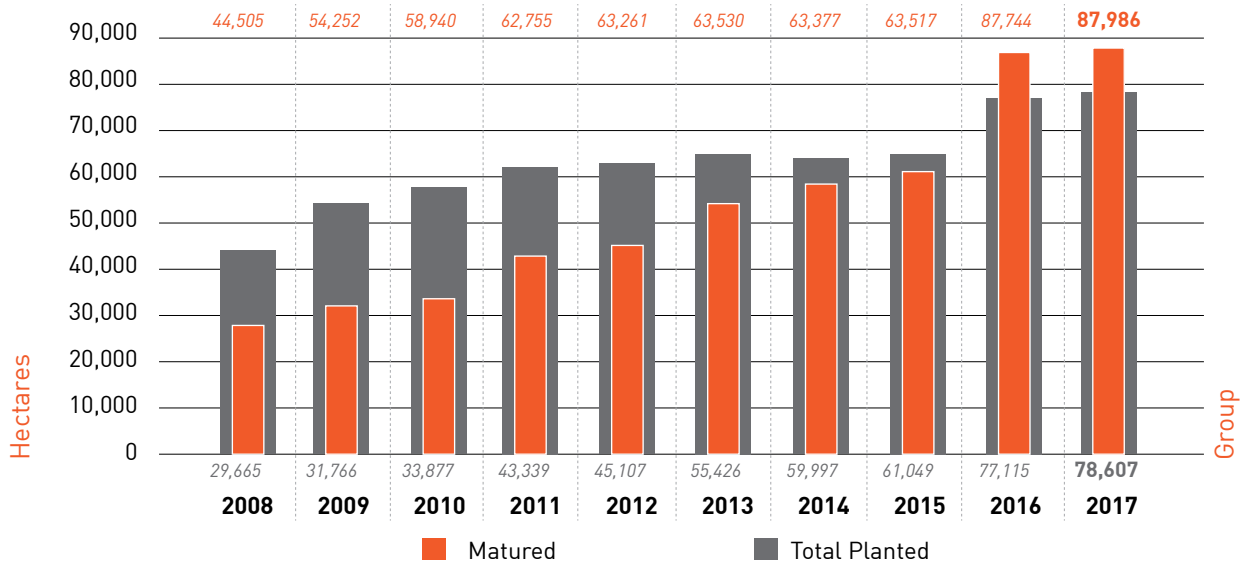
Tonnes FFB/ Mature palms	23.11	21.25	19.87	21.25	18.21	17.09	17.50	18.55	16.79	17.07
Crude Palm Oil/FFB	20.91%	21.57%	21.23%	21.57%	20.67%	20.14%	20.26%	19.88%	19.97%	20.65%
Palm Kernels/FFB	4.36%	4.37%	4.38%	4.37%	4.39%	4.35%	4.39%	4.27%	4.20%	4.23%

PLANTED AREA STATISTICS

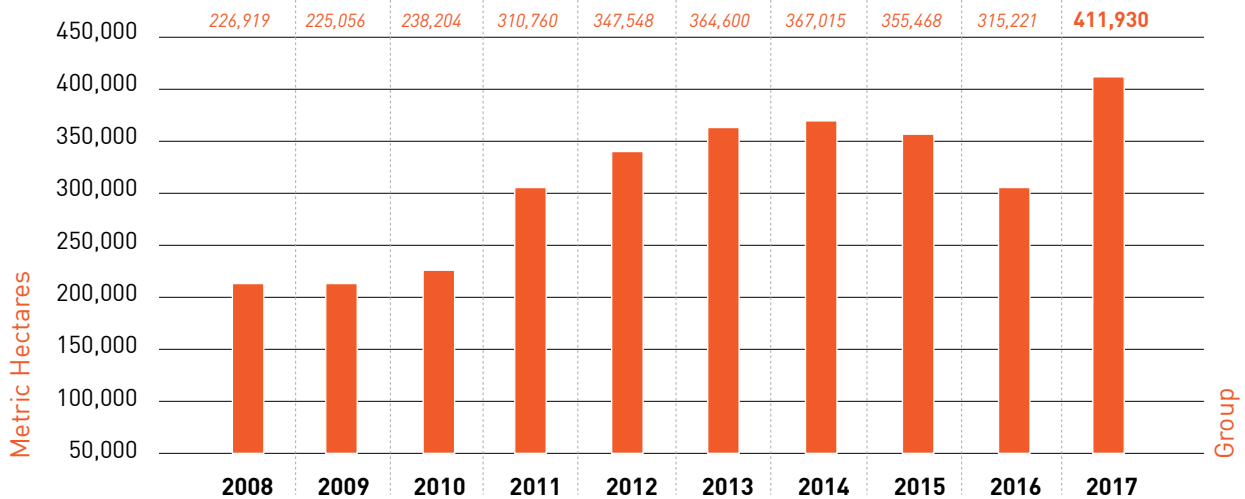
	As at 31/12/2017	As at 31/12/2016	FFB Production and Extraction Rates	
	Area (HA)	Area (HA)	2017	2016
Palm Age (Yrs)				
Immature (Below 4 yrs)	9,380	10,629	Group FFB production (mt)	1,374,712 1,010,836
Young (4-10 yrs)	43,812	45,082	Total FFB processed (mt)	1,995,193 1,578,531
Prime (11-20 yrs)	32,026	27,988	Group CPO Production (mt)	411,930 315,221
Old (21 yrs & above)	2,770	4,045	Group Palm Kernel Production (mt)	84,490 66,288
			Group FFB average yield (mt/ha)	17.07 16.79
			Group average Oil Extraction Rate (OER) (%)	20.65% 19.97%
			Group average Kernel Extraction Rate (KER) (%)	4.23% 4.20%

TEN YEARS STATISTICAL HIGHLIGHTS

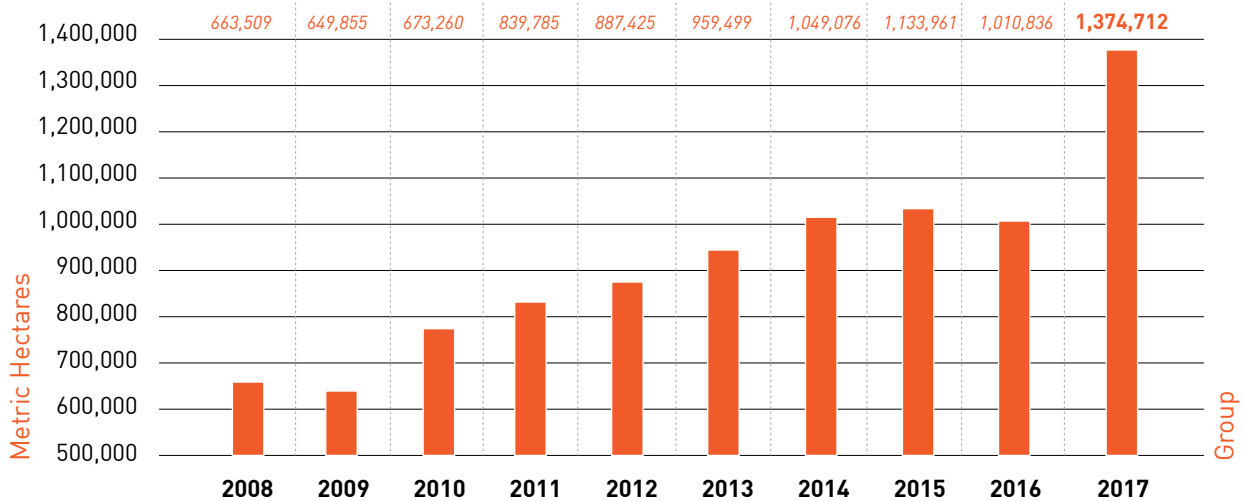
Area Planted



Crude Palm Oil (Produced)

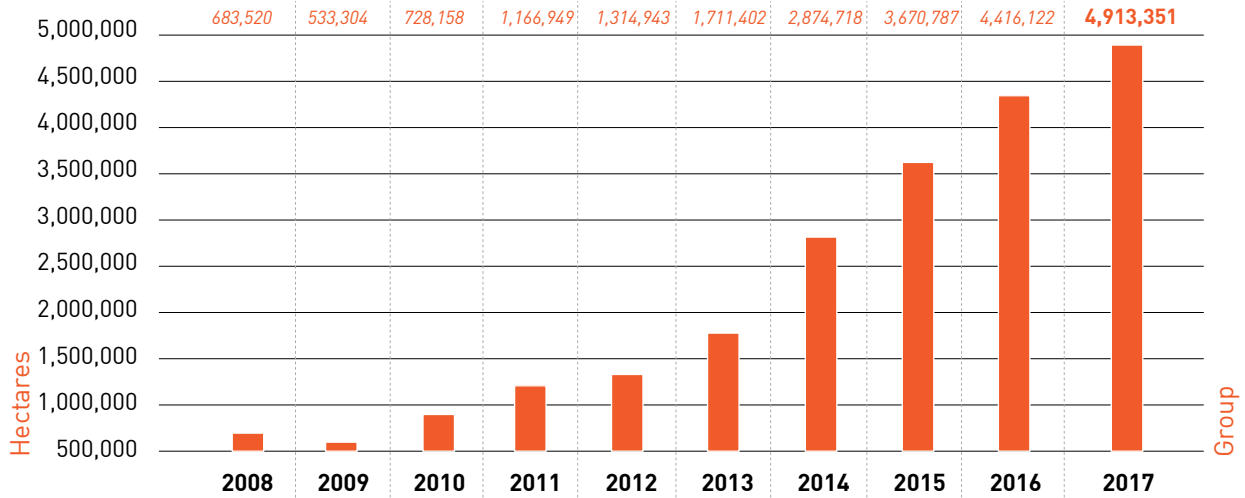


Estate Crop

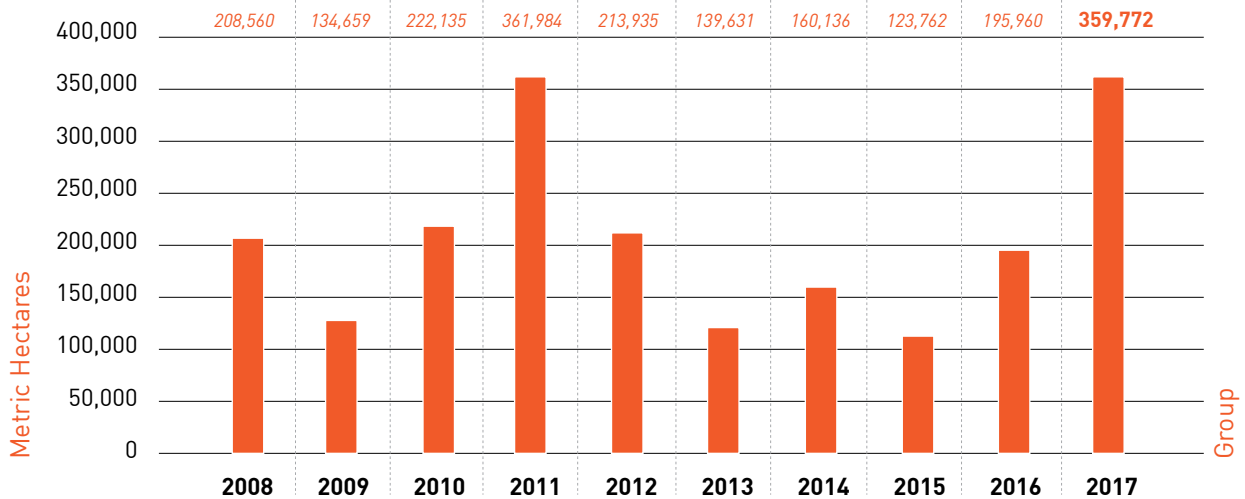


TEN YEARS STATISTICAL HIGHLIGHTS (CONT'D)

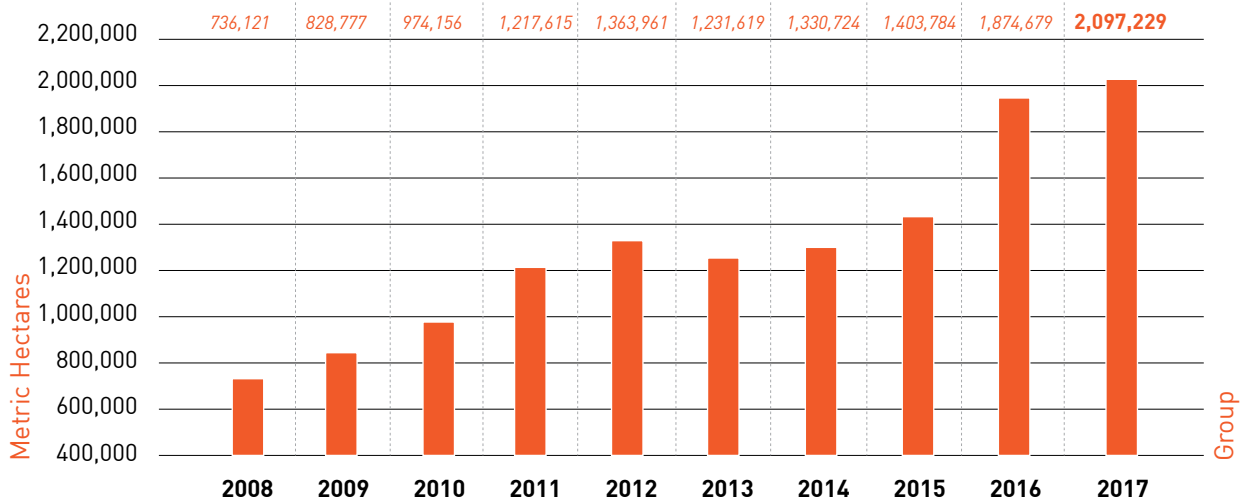
Revenue



Profit before taxation



Total shareholders' fund



CORPORATE INFORMATION

Tan Sri Datuk Ling Chiong Ho
(Group Executive Chairman)

Ling Chiong Sing

Ling Lu Kuang

Tang Tiong Ing

Hasbi Bin Suhaili

Dr. Lai Yew Hock, Dominic

Kamri Bin Ramlee

Gerald Rentap Jabu
(Resigned on 14th February 2017)

Fong Yoo Kaw @ Fong Yee Kow, Victor

Chua Chen San

**Dato Sri Ahmad Tarmizi
Bin Haji Sulaiman**
(Appointed on 10th August 2017)

Hasmawati Binti Sapawi
*Alternate Director to Dato Sri
Ahmad Tarmizi Bin Haji Sulaiman
(Appointed on 27th November 2017)*

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

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

REMUNERATION COMMITTEE

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

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Hasbi Bin Suhaili
Non-Independent Non-Executive

GROUP CHIEF EXECUTIVE OFFICER

Wong Hee Kwong

COMPANY SECRETARY

Eric Kiu Kwong Seng

REGISTERED OFFICE

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

SHARE REGISTRARS

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

AUDITORS

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

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

The Main Board Bursa Malaysia

STOCK NAME **SOP**

STOCK CODE **5126**

DOMICILE **MALAYSIA**

PROFILE OF BOARD OF DIRECTORS

TAN SRI DATUK LING CHIONG HO

A Malaysian citizen, aged 66, 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 five Board Meetings held during the financial year ended 31 December 2017. 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 61, 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 five Board Meetings held during the financial year ended 31 December 2017. 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 41, 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 several companies of Shin Yang Group which involved in domestic and international shipping, property development, infrastructure projects, oil palm and hotel business.

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

He has attended all five Board Meetings held during the financial year ended 31 December 2017. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

TANG TIONG ING

A Malaysian citizen, aged 59, 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 all five Board Meetings held during the financial year ended 31 December 2017. 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.

GERALD RENTAP JABU (Resigned on 14 February 2017)

A Malaysian citizen, aged 48, was appointed as a Non-Independent Non-Executive Director on 24 May 2000. He graduated from the La Trobe University, Melbourne, Australia in 1993 with a Bachelor of Economics degree. He was a Licensed Dealer's Representative (Corporate Investment) in Sarawak Securities Sdn. Bhd. from 1993 to 1995 and was a Project Manager and Consultant for Sarawak Capital Sdn. Bhd. from 1995 to 1996. He is currently the Executive Director of Utahol Management Sdn. Bhd. He is an appointed representative of PHSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

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

He resigned from the Board on 14 February, 2017.

DR. LAI YEW HOCK, DOMINIC

A Malaysian citizen, aged 59, 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 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 three out of the five Board Meetings held during the financial year ended 31 December 2017. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



PROFILE OF BOARD OF DIRECTORS (CONT'D)

HASBI BIN SUHAILI

A Malaysian citizen, aged 54, 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 also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants and Certified Enterprise Risk Manager. He is currently the Deputy Chief Executive Officer (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 four out of the five Board Meetings held during the financial year ended 31 December 2017. 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 58, was appointed as a Non-Independent Non-Executive Director on 1 April 2011. He holds a degree in LLB (Hons) from University Malaya and also a Master of Business Administration from University Kebangsaan Malaysia. He joined the Land Custody and Development Authority (LCDA) since 1989. He is currently the Senior Manager, Legal & Secretarial Division of Pelita Holdings Sdn Bhd (PHSB), a subsidiary of LCDA, since 2007. Prior to this, he worked as a legal officer with a government agency and a credit officer with a commercial bank in Kuala Lumpur. He is an appointed representative of PHSB, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2017. 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 65, 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 and Remuneration Committee.

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

He is an Independent Non-Executive Director in Pansar Berhad and YKGI Holdings Berhad. Currently he is also a company Director in 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 five Board Meetings held during the financial year ended 31 December 2017. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

CHUA CHEN SAN

A Malaysian citizen, aged 57, 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 of New Zealand.

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

He has attended all five Board Meetings held during the financial year ended 31 December 2017. 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.

DATO SRI AHMAD TARMIZI BIN HAJI SULAIMAN (Appointed on 10 August 2017)

A Malaysian citizen, aged 56, was appointed as a Non-Independent Non-Executive Director on 10 August 2017. 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 assumed the position as 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 Ahmad Tarmizi) have collectively attended one

out of two Board Meetings held during the financial year ended 31 December 2017. 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 (Appointed on 27 November 2017) Alternate Director to Dato Sri Ahmad Tarmizi Bin Haji Sulaiman

A Malaysian citizen, aged 50, was appointed as an Alternate Director to Dato Sri 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 2002. She is currently the Director of Corporate Services & Investment Division at State Financial Secretary's Office since April 2008. 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.

PROFILE OF KEY SENIOR MANAGEMENT

WONG HEE KWONG

A Malaysian citizen, aged 56, 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.

CHUA KIAN HONG

A Malaysian citizen, aged 64, 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 42 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.

ERIC KIU KWONG SENG

A Malaysian citizen, aged 47, appointed as the Company Secretary in 1998 and has about 19 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.



THO KHENG CHIANG

A Malaysian citizen, aged 39, was appointed as the Assistant Group Financial Controller of SOPB in 2016. He is a Chartered Accountant (Malaysia), a member of the Malaysian Institute of Accountants and a Fellow member of Association of Chartered Certified Accountants (FCCA), U.K. He worked in KPMG and a public listed company before joining SOPB as the Internal Audit Manager in year 2010. His professional experiences include audit and assurance, accounting and corporate exercises. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

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



Business Review



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Chairman's Statement

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Management's Discussion and Analysis

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Sustainability Report 2017

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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 2017.

REVIEW OF RESULTS

In year 2017, the Group posted a profit after tax of RM258.6 million against RM142.2 million in year 2016, i.e. an increase of 82%. The higher profit achieved was mainly attributed to higher palm oil prices realized and higher fresh fruit bunches ("FFB") production. The weighted average realized prices for palm oil products was higher at RM2,892 per tonne ("mt") compared to RM2,689 per mt for year 2016. The Group FFB production increased by approximately 36% compared to preceding year's due to recovery from adverse impact of El-Nino weather experienced in year 2016, and also contribution from FFB production from the new plantation estates acquired towards the end of year 2016. In tandem with the increase in profit achieved, basic earnings per share for the year improved to 41.84 sen against 28.05 sen for year 2016.

On the other hand, during the year, plantation sector in Sarawak, including our Group, faced acute labour shortages which badly impacted plantation operations with associated crop losses. Continued effort is being pursued by the Group to recruit plantation workers from more countries. Besides this, new initiatives are also explored to boost productivities through mechanization.

Further details on operation and financial review could be found in the Management Discussion and Analysis on page 18 to 22.

DIVIDEND

The Group continues its dividend policy by retaining a large portion of its available funds to cater for its future funds requirements. Its cash and cash equivalents of RM635 million as at the end of 2017 would be managed in prudent manner for its future expansion, debt management, and maintaining healthy financial and liquidity position.

In connection there with, the Board of Directors proposed a first and final tax exempt dividend of 6 sen per ordinary share amounting to RM34,249,095 for the Financial Year ended 31st December 2017, which is an increase of 1 sen compared to year 2016.

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, and carbon ecosystem and nitrogen dynamics of tropical peat land. These researches are on-going and in-progress.

The Sustainability Report on page 25 to 47 contains more details on the sustainability initiatives and commitments that the Group has embarked on.

PROSPECT

Palm products prices remain volatile and are subject to global production of vegetable oils as well as movement in its prices. Moving forward, the Group would expect stiff challenges arisen from uncertain global economic climate, volatile palm products prices and increasing operating costs. The Group will continue to improve its efficiency and productivity to stay competitive and to realize full potential of its present resources.

APPRECIATION

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

Tan Sri Datuk Ling Chiong Ho
Group Executive Chairman

sustainability



Milling



processing



SARAWAK OIL PALMS BHD 1968-2018



ANNIVERSARY ULANG TAHUN



Haier IW M60-S

MANAGEMENT'S 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, oil palm plantation, milling, refining of oil palm products and trading of oil palm products remained as core businesses of the Group.

FFB production for the Group increased from 1.01 million mt to 1.37 million mt, representing an increase of 36% against preceding year's FFB production. The increase was attributed to improvement in yield per hectare of about 13% compared to preceding year's yield, whilst the balance 23% were FFB production from the newly acquired plantation estates which was completed at the end of year 2016. Overall yield (inclusive FFB production from newly acquired estates) for year 2017 was 17.07 mt per hectare compared to 16.79 mt per hectare for preceding year.

Palm oil products prices remained volatile during the year. Crude palm oil ("CPO") prices eased from RM3,200 per mt level at the beginning of the year to RM2,400 towards the end of year 2017. Nevertheless, the average palm oil price realized by the Group for the year was about 7% higher when compared to the preceding year (year 2017: RM2,892 per mt; year 2016: RM2,689 per mt).

2. Financial Results

(i) Group Income Statement:

The Group's total revenue for year 2017 was RM4,913.4 million as compared to RM4,416.1 million in year 2016, an increase of 11%. The increase in revenue was mainly attributed to increase in volume transacted and average palm products prices realized.

	Year 2017 RM'million	Year 2016 RM'million	Change %
Revenue	4,913.4	4,416.1	11.3%
Profit before tax	359.8	195.9	83.6%
Profit after tax	258.6	142.3	81.8%
Earnings before Interest, tax, depreciation and amortization	557.7	342.5	63.4%
Earnings per share:			
Basic	41.84sen	28.05 sen	49.2%
Diluted	41.79sen	28.02 sen	49.1%

The increase in profit was attributed to more favorable average palm products price realized, higher FFB production and higher sales volume.

Average prices realized for year 2017 and 2016 were as follows:-

	2017 RM / mt	2016 RM / mt
Refined palm products	2,913	2,693
Crude Palm Oil	2,939	2,665
Palm Kernel Oil	5,072	4,986
Palm Kernel Cake	408	387

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

(ii) Group abridge cash flow statement

	2017 RM' million	2016 RM' million
Cash flows for operating activities		
(i) Cash generated / (utilized) before changes in working capital	528.55	343.08
(ii) cash inflow /(outflow) for changes in working capital and payment of tax & interest	(664.51)	(87.19)
Net cash inflow /(outflow) from operation	(135.96)	255.89
Cash flows for financing activities		
(i) Net payment for trade financing & loan & borrowings	(464.82)	(26.07)
(ii) Proceeds from loan & borrowings	687.83	86.13
(iii) Dividend & interest payment	(84.03)	(42.02)
(iv) cash inflow /(outflow) for other financing activities	(24.99)	5.31
(iv) Proceeds from rights issue	-	354.7
Net cash inflow /(outflow) from financing activities	113.99	378.05
Cash flows for investing activities		
(i) capital expenditure on PPE & PDE	(89.05)	(78.59)
(ii) Cash inflow /(outflow) for other investing activities	12.42	8.49
(viii) Acquisition of subsidiary	-	(266.14)
Net cash inflow /(outflow) from investing activities	(76.63)	(336.24)
Net increase /(decrease) in cash and cash equivalent	(98.60)	297.7
Cash and cash equivalent at beginning of financial year	736.12	437.23
Effect of exchange rate changes on cash & cash equivalent	(2.35)	1.19
Cash and cash equivalent at end of financial year	635.17	736.12

Cash generated from operation before changes in working capital and payment for tax & interest was RM528.55 million (Year 2016: RM343.08 million). Changes in working capital and payment for tax & interests amounted to cash outflow of RM664.51 million, of which RM488.60 million was utilized to settle purchase consideration of plantation estates acquired. Thus there was a net cash outflow of RM135.96 million used for operation activities.

Main investing activities by the Group during the year was capital expenditures totaling RM89.05 million (2016: RM78.59 million) for the Group's palm oil mills, re-plantings of old palm areas and upkeep & maintenance of immature areas.

As for financing activities, the Group had drawn down term loan totaling RM687.83 million (2016: RM86.13 million) during the year to partly finance the settlement of purchase consideration of the aforementioned acquisition of plantation assets. The Group also made a net repayments for loans & borrowings and trade facilities of RM464.82 million (2016: RM26.07 million), and interest & dividend payments of RM84.03 million (2016: RM42.02 million).

Overall, there was a net decrease in cash and cash equivalents of RM98.60 million, reducing its balances to RM635.17 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

(iii) Group Statement of Financial Position:

	At 31 December 2017 RM'000	At 31 December 2016 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,547,257	1,583,195
Plantation development expenditure	1,030,946	1,039,700
Other non-current assets	270,715	262,147
Current Assets		
Other current assets	785,576	711,584
Cash and bank balances	639,177	736,111
TOTAL ASSETS	4,273,671	4,332,737
EQUITY AND LIABILITIES		
Share capital	819,860	816,955
Reserves	1,277,369	1,057,724
Non-controlling interests	104,457	97,967
Total equity	2,201,686	1,972,646
Non-current liabilities:-		
Loans and borrowings	796,991	277,754
Other non-current liabilities	356,444	363,200
Current liabilities:-		
Loans and borrowings	615,890	910,578
Other current liabilities	302,660	808,559
Total liabilities	2,071,985	2,360,091
TOTAL EQUITY AND LIABILITIES	4,273,671	4,332,737

As at 31st December 2017, the total net assets of the Group was RM2.20 billion (year 2016 : RM1.97 billion).

Total loans & borrowings as at 31 December 2017 increased to RM1.41 billion (year 2016: RM1.19 billion), and gearing ratio (being total borrowings over shareholders' fund) was 0.64 (year 2016: 0.60). The increase in loans & borrowings was mainly attributed to term loan drawdown to partly finance the aforementioned acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

3. Review of Operation:

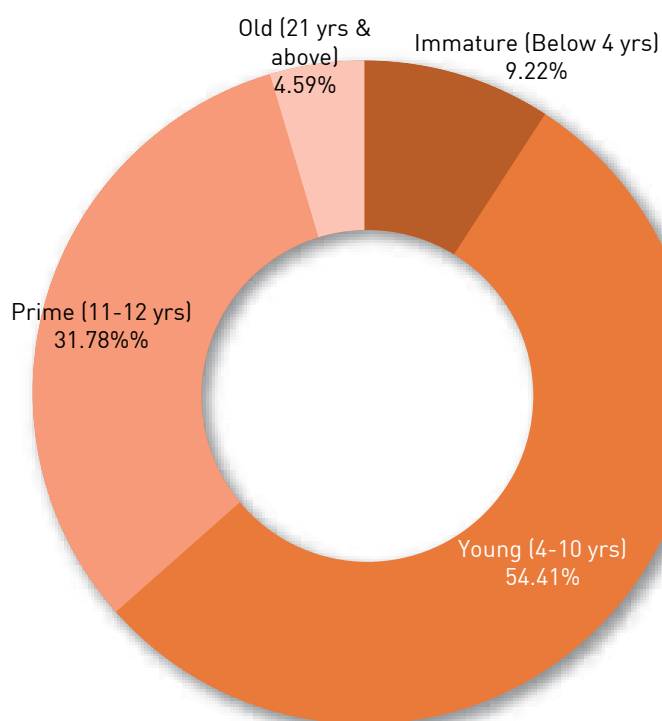
(i) Plantation Segment

(a) Planted Areas Statistics

Planted area and age profile:-

Palm Age (Yrs)	As at 31/12/2017		As at 31/12/2016	
	Area (ha)	%	Area (Ha)	%
Immature (Below 4 yrs)	8,119	9.22%	10,629	12.11%
Young (4 -10 yrs)	47,930	54.41%	45,082	51.38%
Prime (11 - 20 yrs)	28,000	31.78%	27,988	31.90%
Old (21 yrs& above)	4,045	4.59%	4,045	4.61%
Total:	88,094	100.00%	87,744	100.00%

Oil Palm Age Profile of SOP Group as at 31 Dec 2017



During the year, a total of 1,834 hectares of old palms area were re-planted. The weighted average palm age as at 31 December 2017 was 10.2 years old.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

(b) FFB Production and Extraction Rates

		2017	2016
Group total mature area	ha	79,975	60,033
Group FFB production	mt	1,374,712	1,010,836
Total FFB processed	mt	1,995,193	1,578,531
Group CPO Production	mt	411,930	315,221
Group Palm Kernel Production	mt	84,491	66,288
Group FFB average yield	mt/ha	17.07	16.79
Group average oil extraction rate (OER)	%	20.65%	19.97%
Group average kernel extraction rate (KER)	%	4.23%	4.20%

The Group FFB average yield improved to 17.07mt per hectare from 16.79 mt per hectare in 2016. The palms recovered from the adverse impact of El-Nino experienced during preceding year with an improvement of 13% in yield as compared to preceding year. However, the newly acquired plantation estates with palms of young age profile had a dilution effect on the overall yield for the Group.

On milling operation, a total of 2.00 million mt FFB were processed during the year (Year 2016: 1.58 million mt FFB) due to higher FFB production. The Group total installed mill capacity has increased by an addition of one (1) 60 TPH palm oil mill. For the year 2017, mill capacity utilization was approximately 78%(Year 2016: 70%).

During the year, the Group's oil extraction rate ("OER") was 20.65% (2016: 19.97%). With an average FFB yield per hectare of 17.07mt (2016: 16.79 mt), the Group's oil per hectare was 3.52mt (2016: 3.35mt). The Group will focus on improving mill efficiency, quality of FFB produced, and together with the shift of the palm age profile from young mature to prime age, the Group would expect improvement in its oil yield per hectare.

(II) Downstream Segment

Downstream segment for oil palm refinery and kernel crushing plants posted a lower profit after tax of RM15.00 million as compared to RM20.94 million achieved in year 2016, mainly due to lower operating margin realized arising from increasing intense competition in the oils & fats markets.

Refining and Fractionation Plants (installed capacity: 1,500 mt per day) were operating at full capacity (2016: full capacity) whilst Kernel Crushing Plant (installed capacity: 800 mt per day) was running at 84% (2016: 70%). Biodiesel plant (palm methyl ester) was operating at 34.8% of its installed capacity (2016: 35.8%). Demand for biodiesel produced during the year was local market only for the B7 program implemented by the government.

The Group's phytonutrient plant with installed capacity of 15mt per day has been commissioned during the year. Its products are currently undergoing certification by the relevant authorities and regulatory bodies. Income from phytonutrient products is expected to come on stream in the year 2018.

(III) Property Development Segment

The property market remained subdued throughout the year. The residential property development located at Lambir, Miri that was launched in year 2014 was completed and ready for occupation / dwelling during the year. To-date take-up rate was about 54%.

The construction of the commercial shop-houses which were launched last year in the vicinity of the above mentioned residential property was 58% completed. To-date the take-up rate was 77%.

During the year, the Group's property segment recorded a profit after tax of RM0.32 million (year 2016: RM1.92 million). Under the current weak demand for real property, contribution from this segment to the Group is expected to be insignificant.

4. Outlook and Prospects

The Group has planted areas of about 88,094 hectares with an average age of 10.2 years old. Average yield per hectare is expected to increase as more palms will attain their prime age. The Group will continue to focus on improving its OER. Moving forward, the Group will continue to tighten costs control, improve productivity and efficiency so as to optimize the potential of its assets and human resources.

Based on market opinion, crude palm oil prices are anticipated to hover at RM2,400 per mt level for year 2018. With tight control over costs, improvements in productivity and efficiency, the performance of the Group is expected to be satisfactory.

EVENTS

SOP ANNUAL DINNER 2017



EVENTS (CONT'D)



TELEMATCH LAMBIR



SUSTAINABILITY REPORT 2017

ABOUT THIS REPORT

We are pleased to present our Group Sustainability Report for year 2017 which is prepared, for the first time, in line with the newly published Global Reporting Initiative (GRI) Standards issued by Global Sustainability Standards Board.

This report provides insights regarding the Group sustainability practices and initiatives undertaken by the Group spanning across all its operational and management activities for financial year ended 31 December 2017.

This Report forms an integral part of the Group's Annual Report for the year 2017, 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 (year 2017) as this is our initial phase of adopting GRI Standards.

SCOPE OF REPORT

REPORTING PERIOD GRI 102 - 50	1st January to 31st December 2017, unless specified
DATE OF RECENT REPORT GRI 102-51	This is the first Sustainability Report prepared under the GRI Standards
REPORTING CYCLE GRI 102-52	Annually
COVERAGE GRI 102-46	This Sustainability Report 2017 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	<p>Principal Guidelines</p> <ul style="list-style-type: none"> • Global Reporting Initiative (GRI) Standards <p>Additional Guidelines</p> <ul style="list-style-type: none"> • Bursa Malaysia Sustainability Reporting Guidelines
DISTRIBUTION OF AND FEEDBACK ON THE REPORT GRI 102-53	<p>This report is available to all stakeholders in hard copy upon request and can be downloaded from our website www.sop.com.my. For further information and comments, please contact:</p> <p>Sarawak Oil Palms Berhad Contact Person: Mr. Galau Melayong Telephone :+6 085 -436969</p>

MESSAGE FROM GROUP CHIEF EXECUTIVE OFFICER

This is the Group's Sustainability Report which is prepared, for the first time, according to GRI Standards. It indicates another commitment by the Group towards advocating sustainability in every of its business undertakings.

Looking back over our past 50 years, the Group has grown to a reasonable size in plantation sector in terms of planted hectares and market capitalization. Meanwhile, the Group has unwaveringly given equal focus to preserve and conserve its environments, and to uplift the well-being of the communities while pursuing the objective of maximizing its shareholders' values.

Environment

SOP Group is absolutely committed to remain at forefront spearheading environmental responsibility through good agricultural practices in the course of producing palm oil sustainably whilst safeguarding the earth's natural resources. We uphold the policy of no new peat development and continual strengthening well – being of its employees and local community.

SUSTAINABILITY REPORT 2017 (CONT'D)

Our Group fully subscribes to the Malaysian Sustainable Palm Oil ("MSPO") principles and standards. All its planted areas, palm oil mills and downstream manufacturing facilities are expected to be certified under MSPO by the end of 2018.

On the milling front, biomass boilers are erected in all the palm oil mills and also in the downstream refinery complexes to ensure optimal utilization of palm oil mill by-products in the form of shell, fibre and empty fruit bunches to generate renewable energy and thus reduce consumption of the depletable fossil fuels.

Biogas plants for all the palm oil mills are in the pipeline to mitigate greenhouse gas emission. Contract for biogas plant construction for the first palm oil mill has been awarded and its construction is in progress. Within the next 2 years, another six biogas plants are scheduled to be constructed.

Our Group endeavors to lower particulate matters emission from solid fuel boilers to the threshold of not more than 150 mg/NM3 at 12% CO2 content as stipulated in the Environmental Quality Act (Clean Air Regulation 2014). Towards this, the Group has awarded contracts to contractors to install electrostatic precipitators at all the Group's palm oil mills and at the downstream refinery complexes. Installation of all the electrostatic precipitators is expected to be completed before end of next year.

Conservation of jungle reserves and promoting biodiversity remains an important agenda to the Group. In year 2017, a total area of about 200 hectares within the Group's land bank has been set aside for conservation and biodiversity purposes. The Group has also entered into collaboration / joint research with researchers from government bodies and local / foreign universities to develop effective conservation and biodiversity strategies.

Marketplace

The Group recognizes the expectation from its customers on food safety, product quality and traceability of supply chain. It continually targets to deliver safe, quality, traceable and sustainable palm oil products to all its customers.

At our upstream operations, besides supply of fresh fruit bunches ("FFB") from its own oil palm plantation estates, there are supply of FFB from third parties, which include small growers and smallholders, whom the Group continually engages with them regarding adoption of sustainable cultivation practices. At our downstream operation, supply chain has also been mapped out so that originating sources of palm oil products could be traced.

All the Group's palm oil mills and downstream manufacturing facilities are subject to yearly third party independent audit on food safety and quality to ensure and assure customers that palm oil products of the Group are safe and of high quality.

Social (community and employees)

Our employees have always been valuable assets for the Group's continued growth and success. The Group has embarked on substantial capital expenditure program of approximately RM 20 million for the next three years to upgrade their housing facilities and amenities to enhance their well-being.

The Group continues to be active participant and contributor to local community development. About 2,300 hectares of Native Customary Rights ("NCR") land has been developed into oil palm plantation by the Group together with the participation of about 690 NCR landowners which enhanced their well-being and living standards.

It is also heartening to see that through organizing and implementing various social programs in the areas of education, healthcare and disaster reliefs, and with active participation of local community, the Group is able to knit closely and build trusted relationship with its local communities.

The above mentioned points which I touched are further elaborated in the following page 27 to 43.

With the continuous commitment from the Board of Directors and active participation of all our stakeholders, I am confident that the Group is in the right position to keep moving forward with its sustainability commitments and agendas.

Paul Wong Hee Kwong
Group Chief Executive Officer

SUSTAINABILITY REPORT 2017 (CONT'D)

SUSTAINABILITY GOVERNANCE

(i) Sustainability governance structure.

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

Board of Directors 	Responsible for: <ul style="list-style-type: none"> • Approval of sustainability policies • Oversee SOP Group's sustainability performance
Group Management Committee 	Responsible for: <ul style="list-style-type: none"> • Formulating sustainability strategies, goals and implementation procedures and practices • Deliberate sustainability issues • SOP Group's sustainability performance • Sustainability Report
Group Sustainability Committee	Responsible for: <ul style="list-style-type: none"> • Maintaining sustainability performance across the Group • Stakeholders engagement • Raising awareness among employees • Assisting management to ensure that sustainability standards are consistent across the Group

(ii) Sustainability Policies

The Group has established two key policies in 2014, i.e.(a) Environmental Sustainability Policy, and (b) Social & Community Policy:-

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

MATERIALITY

In year 2017, a materiality analysis exercise was conducted by taking into consideration the view and responses from all the Group's stakeholders on significant environmental, economic, and social aspects, impacts, risks and opportunities which are crucial for the success and continued growth of the Group.

The feedback from the stakeholders for the above mentioned exercise is analyzed and assessed. Twenty (20) key sustainability issues were identified as being of high concern to stakeholders and of high significance for the Group.

SUSTAINABILITY REPORT 2017 (CONT'D)

The twenty (20) key sustainability issues identified are used to create a Materiality Matrix as shown below.



The topics of the 20 key sustainability issues portrayed in the Materiality Matrix above are listed below:-

SUSTAINABILITY MATERIAL ISSUES							
1	Economic Performance	7	Occupational Safety and Health	15	Local Communities (CSR)	22	Customer Privacy
3	Anti - Corruption	8	Training and Education	16	Rights of Indigenous People	25	Water
4	Anti - Competitive Behavior	11	Diversity and Equal Opportunity	17	Human Rights Assessment	26	Biodiversity
5	Employment	12	Non - Discrimination	19	Public Policy	29	Environmental Compliance
6	Labor Management Relations	13	Freedom of Association	21	Marketing & Labelling	30	Energy

Key sustainability issues which have been identified are assessed by the Group Sustainability Committee to ascertain if there are policies and procedures in place to address and manage those issues. If there is no policy or procedure yet to address a specific issue, implementation plans are drawn up and presented to the Group Management Committee for consideration and approval for implementation.

SUSTAINABILITY REPORT 2017 (CONT'D)

STAKEHOLDERS ENGAGEMENT

The Group recognizes that stakeholders engagement and their feedback are an integral part of its sustainability strategy and initiatives.

The stakeholders engagement process involves both formal and informal approaches. The followings provide an overview of the efforts involved in the Group's focus on stakeholders' engagement.

Stakeholder Group	Modes of Engagement	Key Areas of Interest	Outcomes
Employees	<ul style="list-style-type: none"> Management Meeting Internal communications such as newsletters, intranet and updates Events and functions Meetings and trainings Recreational and team building sessions 	Occupational safety & health, sustainability updates, environmental compliance, update of Group's performance & areas for improvement	<p>Improved employees' understanding on sustainability policies & practices, vision and direction, culture & values of the Group</p> <p>Built cordial employer - employee relationship , and strong team spirit</p>
Customers	<ul style="list-style-type: none"> One-to-one meetings Engagement survey Visits to estates, mills and refinery 	Product quality & food safety; Price competitiveness; Development and improvement of sustainable supply chain of palm products; No open burning; No cultivation on areas of high conservation value; Effluents & waste management	Better awareness of the company's commitment to sustainability, better understanding of Group's policies, cultures & values.
Suppliers	<ul style="list-style-type: none"> Engagement survey One-to-one meetings Contract bidding & tendering meeting 	Group's procurement policies, ethical business practices, safety at workplace, pollution, sustainable development	Better understanding of the Group's business ethical values & culture; awareness of the Group's sustainability commitments
Government and Regulators	<ul style="list-style-type: none"> Official visits & dialogue Events and seminars Regular reporting 	Compliance of relevant regulatory requirements; plight of severe foreign workers shortages & foreign workers' policy	Awareness of latest updates on regulatory requirements & compliance thereof.
Media	<ul style="list-style-type: none"> Official launches and corporate events Press releases 	Group's activities on corporate social responsibility	Better understanding of the Group as a responsible corporate citizen amongst local communities at large.
Smallholders, Outgrowers and local communities	<ul style="list-style-type: none"> Meetings / seminars with smallholders / outgrowers Corporate social responsibility events 	MSP0 certification program for oil palm cultivation; codes of business conducts for the Group	Greater awareness on environmental responsibility and compliance with sustainability standards in palm oil cultivation. Collaboration with smallholders on social – economic development program.

SUSTAINABILITY REPORT 2017 (CONT'D)

Stakeholder Group	Modes of Engagement	Key Areas of Interest	Outcomes
Non-Governmental Organization (NGO)	<ul style="list-style-type: none"> • One -to -one meetings • Direct correspondence via tele-conversation and emails 	Environmental & sustainable practices, product supply chain, human & workers' rights	Better understanding of NGO's areas of concerns
Schools & Universities	<ul style="list-style-type: none"> • Meet up sessions at school & universities • Internship opportunities for students • Students' tour at the Group's estates, mills and refinery 	Knowing oil palm industry and various uses of oil palm; career in oil palm industry, rewards / bursaries for students achieving academic excellence, reading materials for school children in the vicinity of oil palm estates.	Create awareness on working life , career development and expectations in oil palm industry; Top students from surrounding communities are rewarded; Opportunity for underprivileged children to pursue education; Awareness about various uses of oil palm amongst students

Investor Relations

The Company recognizes the importance of granting investors and general investing community access to quality and timely information on the company's business and operations, performance, processes and developments.

The Company engagement with investors is primarily via its investor relationship team who regularly delivers presentations to analysts and dialogue sessions.

For financial year ended 31 December 2017, the investor relationship team has held about 10 meetings / dialogue sessions with analysts / investing communities.

The Company's Annual General Meeting also provides a forum to facilitate the exchange of shareholders' views and offers opportunities for shareholders to ask questions. The Board of directors and key members of management team are available to answer questions raised.

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

MARKETPLACE

(i) Food Safety and Quality

The Group continually ensures palm oil products delivered to customers and consumers met the stringent standards of food safety, product quality and traceability of supply chain. It embarked on certification by various accreditation agencies on food safety and product quality assurance.

SUSTAINABILITY REPORT 2017 (CONT'D)

The status of accreditation is summarized as follows:-

Manufacturing Facilities		Certifications	Status at 31st Dec 2017
Refining, Fractionation, Kernel Crushing Plant	1	ISO 9001 & 22000	Completed
	2	HACCP	Completed
	3	GMP & GMP+B2	Completed
	4	ISCC	Completed
	5	MeSTI	Completed
	6	HALAL	Completed
	7	KOSHER	Completed
	8	CoP MPOB	Completed
	9	FDA	Completed
Biodiesel Plant	1	ISO 9001 & 22000	Completed
	2	HACCP	Completed
	3	GMP	Completed
	4	ISCC	Completed
	5	MeSTI	Completed
	6	HALAL	In progress
	7	KOSHER	Completed
Cooking Oil Packaging Plant	1	MeSTI	Completed
	2	HALAL	Completed
4 Palm oil mills	1	GMP	Completed
	2	HACCP	Completed
	3	ISO 9001 & 22000	Completed

The content and design of food label for our packed products complied with the Malaysian Food Act, 1983 for product traceability and labelling purposes.

(ii) Customer Satisfaction

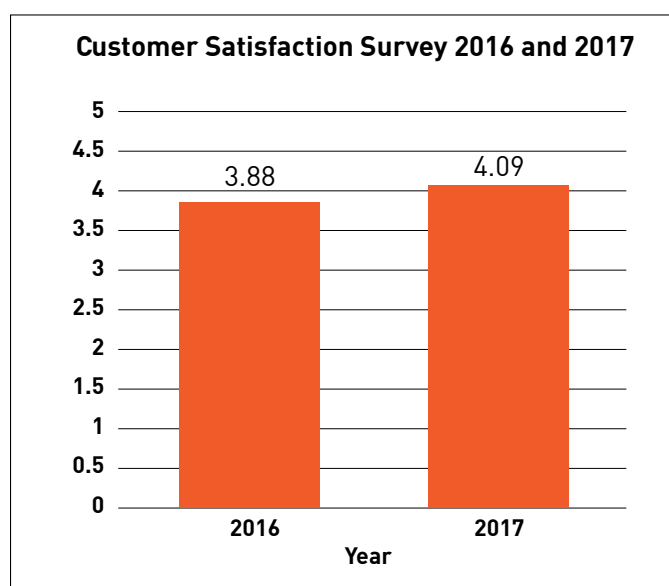
The Group carries out customer satisfaction survey annually to measure customers' perception towards its finished products.

The survey focuses on three key areas:-

1. Product quality
2. Timeliness delivery of product
3. Service quality (pre-sale & after sale)

The survey results are analyzed for management review meetings and also for accreditation audit.

The survey results for year 2016 and 2017 are depicted in the graph below. The satisfaction score exceeded the Group target and was also higher for 2017 compared to 2016. Nevertheless, the Group constantly strives to continually improve its customers' satisfaction on its finished products.



SUSTAINABILITY REPORT 2017 (CONT'D)

(iii) Sustainability Certification

The Group has embarked on the following sustainability certification:

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

ISCC is an international certification system that is used to evaluate sustainability and greenhouse gas savings for biomass and bio-energy.

To-date, six palm oil mills, one Refinery 83% of the Group planted areas have been certified under the ISCC

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

MSPO is Malaysia's national sustainability certification scheme which aims to promote sustainable management in palm oil industry. To-date, four palm oil mills, one Refinery and 50% of the Group planted areas (based on enlarged planted areas after acquisition of plantation estates completed towards the end of year 2016) have been certified under MSPO. All the planted areas of the Group are scheduled to be certified under MSPO by the end of 2018.

ENVIRONMENT

(i) ENERGY MANAGEMENT

PLANTATION ESTATES

Fossil fuels are primarily used by mechanized equipment, agricultural machinery and vehicles for the operation of plantation estates.

The total diesel fuel consumption by estates for all operations including the estates' housing compounds for 2015 until 2017:

DIESEL CONSUMPTION		
Year	2016	2017
Quantity, in million litres	10.99	13.92
Usage in litres per planted hectare	171.9	158.2

The Group constantly strives towards higher efficiency in consumption of fossil fuels.

MILLS

The main source of power supply for palm oil mill operation is renewable energy generated by using biomass as fuel in the boilers. Biomass used are fiber, shell and empty fruit bunches derived from oil palm fruits.

In the Group's palm oil mills, approximately 87% of the power consumed is renewable energy whilst 13% of the power consumed is from fossil fuels during palm oil mill's startup, shutdown and non-processing hours.

SUSTAINABILITY REPORT 2017 (CONT'D)

(ii) WATER MANAGEMENT

The Group water management involves measures taken to preserve and protect waterways, and optimize the usage of water throughout the Group.

Measures / practices that have been implemented in our Group include:-

- (a) Effective water management system to manage optimal water levels in peat areas by installation of water gates, tidal gates and piezometer.

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

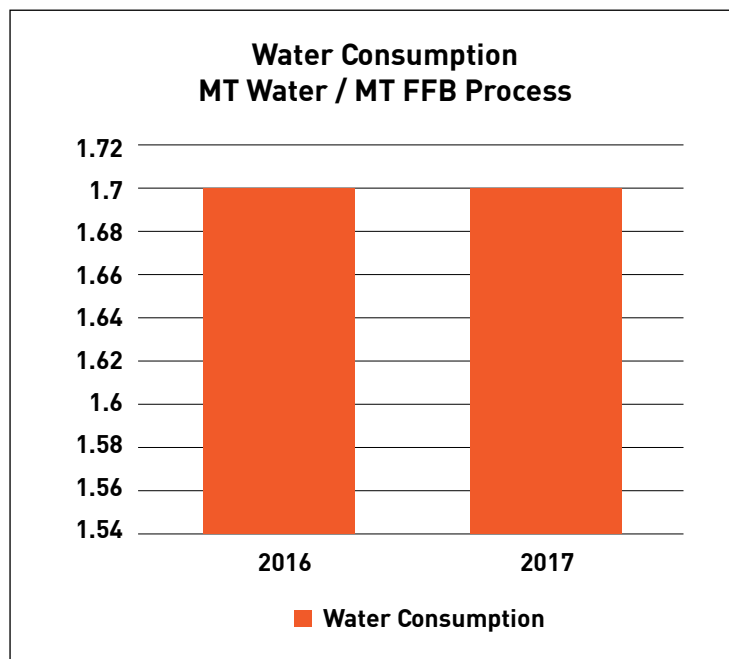
Water gates and tidal gates are installed to maintain water at desired levels. Piezometers are also installed in the fields to enable constant monitoring of water levels.

- (b) Establish riparian areas to protect the natural waterways

In the Group's plantation operations, riparian zones / areas are identified and maintained to avoid runoff from cultivated land into the natural waterways. Importance of riparian areas protection is constantly emphasized and instructions to all the workers are given to strictly prohibiting from carrying out any chemical spraying operations in the vicinity of riparian areas.

- (c) Water Efficiency in mills

Water is used in various processes in the palm oil mill operations. The Group constantly strives to maintain efficiency of water consumption in its mill operations. Water consumption (in unit of mt) per mt of fruit fresh bunches processed in both 2017 and 2016 is respectively about 1.7 mt per mt of FFB processed.



(iii) CONSERVATION AND BIODIVERSITY

The Group has embarked on projects to conserve jungle reserves and wildlife sanctuaries to preserve biodiversity of its environment. Collaboration / joint researches by the Group with researchers from government bodies, local and foreign universities are carried out to develop effective conservation and biodiversity strategies.

SUSTAINABILITY REPORT 2017 (CONT'D)

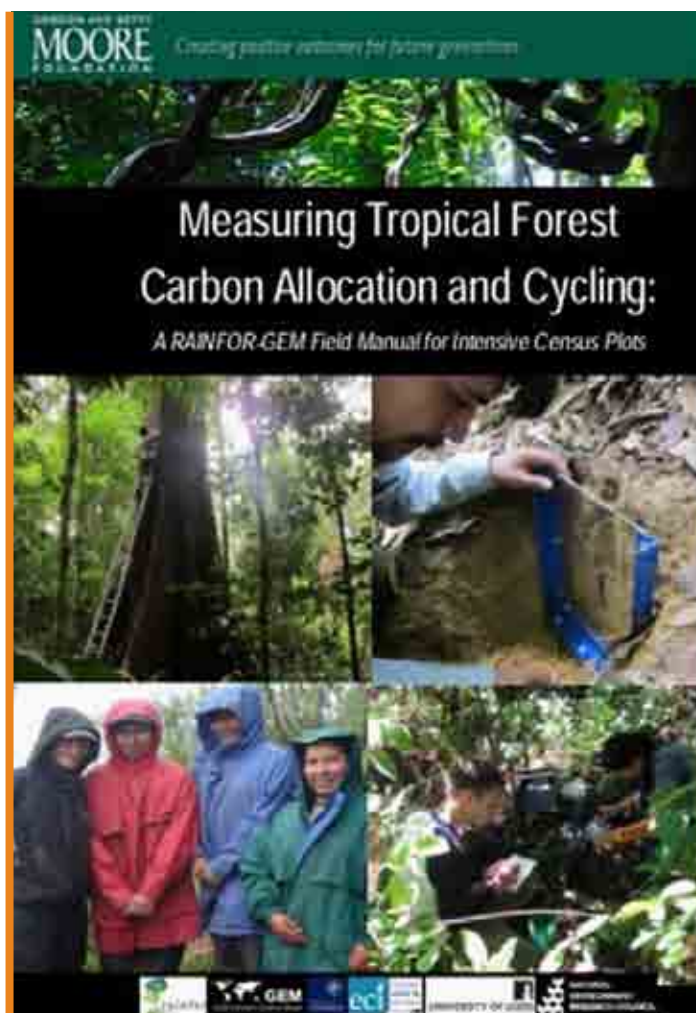
Research topics involved are:-

	Research Topic	Collaboration with:	Status as 31 Dec 2016	Status as at 31 Dec 2017
1	Balancing Development of Oil Palm Plantations with conservation of Tropical Forest Ecosystems	Malaysia Palm Oil Board ("MPOB"), Nagoya University of Japan	In- progress	In- progress
2	Green House Gas and Carbon Pool Study	MPOB	In- progress	In- progress
3	Ecosystem Carbon and Nitrogen Dynamics of Tropical Peatland	MPOB, University of Aberdeen, UK and St Andrew University, UK	In- progress	In- progress
4	Tinbarap Conservation Forest & Sabaju Conservation Forest: Study of flora and fauna	MPOB, Universiti Malaysia Sarawak	In- progress	In- progress
5	Rehabilitation of Tinbarap Conservation Forest	Sarawak Forestry Corporation	-	In – progress (new project in 2017)

As at 31 December 2017, all the above mentioned researches were on-going.

Milestones attained during year 2017 were as follows:-

- (a) An area of about 200 hectares of regenerating secondary peat forest has been set aside for conservation and biodiversity purposes, namely, Tinbarap Conservation Forest (TCA) near Miri, Sarawak.
- (b) Surveys / censuses were carried out jointly by the Group and MPOB to identify tree species composition and to estimate the carbon stock of these two conservation forests. The publication titled, "Measuring Tropical Forest Carbon Allocation and Cycling: A RAINFOR-GEM Field Manual for Intensive Census Plots" was used as a guideline.



SUSTAINABILITY REPORT 2017 (CONT'D)

Results from the surveys are as follow:

		TCA
Average Tree Density # (Individuals ha-1)		565
No. of Species		70
Average carbon Stock (Tonnes ha-1)	Above Ground Biomass (AGB)	43.89
	Below Ground Biomass (BGB)	4.84

- (c) A joint survey on bird, mammal and fish species at the Tinbarap conservation forest and its surroundings was conducted with MPOB and UNIMAS. The results were as follows:-

Taxon	No. of Families	No. of Species	Conservation Status	
			IUCN Red List, 2016	SWLPO, 1998
Bird	41	103	Threaten – 2 Near threaten – 20	Totally protected – 5 Protected – 19
Mammal	9	10	Vulnerable – 5 Near threaten – 1	Protected – 6
Fish	7	13	-	-

IUCN – International Union for Conservation of Nature

SWLPO – Sarawak Wildlife Protection Ordinance

Family	Scientific name	Common name	Status	
			IUCN Red List, 2016	SWLPO, 1998
Birds				
Accipitridae	<i>Ichthyophaga humilis</i>	Lesser Fish Eagle	NT	
	<i>Ichthyophaga ichthyaetus</i>	Grey-headed Fish Eagle	NT	TP
Alcedinidae	<i>Alcedo meninting</i>	Blue-eared Kingfisher	LC	P
	<i>Pelargopsis capensis</i>	Stork-billed Kingfisher	LC	P
Anhingidae	<i>Anhinga melanogaster</i>	Oriental Darter	NT	TP
Apodidae	<i>Aerodramus fuciphagus</i>	Edible nest Swiflet	LC	P
	<i>Rhipidura leucopygialis</i>	Silver-rumped Spinetail	LC	P
Ardeidae	<i>Ardea purpurea</i>	Purple Heron	LC	P
	<i>Bubulcus ibis</i>	Cattle Egret	LC	TP
	<i>Egretta garzetta</i>	Little Egret	LC	P
	<i>Egretta intermedia</i>	Intermediate Egret	LC	P
	<i>Ixobrychus sinensis</i>	Yellow Bittern	LC	P
	<i>Ixobrychus cinnamomeus</i>	Cinammon Bittern	LC	P
Bucerotidae	<i>Anthracoceros Malayanus</i>	Asian Black Hornbill	NT	TP
Campephagidae	<i>Pericrocotus igneus</i>	Fiery Minivet	NT	
Columbidae	<i>Ducula aenea</i>	Green Imperial Pigeon	LC	TP
Cuculidae	<i>Phaenicophaeus sumatranus</i>	Chestnut-bellied Malkoha	NT	

SUSTAINABILITY REPORT 2017 (CONT'D)

Family	Scientific name	Common name	Status	
			IUCN Red List, 2016	SWLPO, 1998
Birds				
Falconidae	Microhierax fringillarius	Black-thighed Falconet	LC	P
Irenidae	Chloropsis cyanopogon	Lesser Green Leafbird	NT	
Muscicapidae	Rhinomyias umbratilis	Grey-chested Jungle Flycatcher	NT	
Picidae	Hemicircus concretus	Grey and Buff Woodpecker	LC	P
	Meiglyptes tukki	Buff-necked Woodpecker	NT	P
	Micropternus nrachyurus	Rufous Woodpecker	LC	P
	Mulleripicus pulverulentus	Great Slaty Woodpecker	V	P
	Sasia abnormis	Rufous Piculet	LC	P
Psittacidae	Psittacula longicauda	Long-tailed Parakeet	NT	P
Pycnonotidae	Iole olivacea	Buff-vented Bulbul	NT	
	Pycnonotus melanoleucos	Black-and-white Bulbul	NT	
	Setornis criniger	Hook-billed Bulbul	V	
Strigidae	Otus rufescens	Reddish scops owls	NT	
Sturnidae	Gracula religiosa	Hill Myna	LC	P
Timaliidae	Stachyris nigricollis	Black-throated Babbler	NT	
	Macronous ptilosus	Fluffy-backed Tit Babbler	NT	
	Trichastoma rostratum	White-chested Babbler	NT	
	Malacopteron albogulare	Grey-breasted Babbler	NT	
	Malacopteron affine	Sooty-capped Babbler	NT	
	Malacocincla malaccensis	Short-tailed Babbler	NT	
Trogonidae	Harpactes diardii	Diard's Trogon	NT	
Tytonidae	Phodilus badius	Oriental Bay Owl	LC	
Mammals				
Cercopithecidae	Macaca nemestrina	Pig-tailed Macaque	V	P
Cervidae	Rusa unicolor	Sambar Deer	V	
Felidae	Prionailurus bengalensis	Leopard Cat	LC	P
Muridae	Maxomys whiteheadi	Whitehead's Rat	V	
	Macaca fascicularis	Long-tailed Macaque	LC	P
Pteropodidae	Cynopterus brachyotis	Lesser Short-nosed Fruit Bat	LC	P
Suidae	Sus barbatus	Bearded Pig	V	
Ursidae	Helarctos malayanus	Malayan Sun Bear	V	P
Vespertilionidae	Kerivoula intermedia	Small-wooly Bat	NT	P

LC – Least concerned

NT – Near threatened

V – Vulnerable

P – Protected

TP – Totally protected

SUSTAINABILITY REPORT 2017 (CONT'D)

- (d) A survey on herpetofauna (reptiles and amphibians) at TCA and its surroundings is currently on-going in collaboration with UNIMAS, and is led by a world renowned herpetologist. To-date, 20 species has been recorded.
- (e) Collaboration with SFC to rehabilitate and reforest with suitable seedlings at TCA has been established in August 2017.
- (f) Studies of Ecosystem Carbon and Nitrogen Dynamics of Tropical Peatland in collaboration with MPOB were carried out in SABF and its surrounding Sebungan and Sabaju Estates. The studies are on-going.

WORKPLACE

(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 11,000 employees, recruited based on qualifications, skills and expertise required for the position or job involved.

Below is the summary of the profile of the Group's employees as at 31 December 2017.

Employee Classification	Gender Profile			Age Profile (years)		
	Male	Female	Total	18 -30	31 - 50	>50
Executive Director	1	0	1	0	0	1
Management	45	5	50	0	26	24
Executive & Managerial	284	119	403	169	205	29
Staff	1,243	337	1,580	848	643	89
Workers (local)	740	377	1,117	434	515	168
Workers(foreigner)	5,315	2,975	8,290	3,274	4,999	17
Total	7,628	3,813	11,441	4,725	6,388	328

We are pleased to report that there have been no incidents of discrimination for the Group in year 2017. There were also no incident or risks of forced or compulsory labor. The Group has complied fully with the provisions of Sarawak Labour Ordinance.

There were also no violations of human rights involving the rights of indigenous people for the reporting period.

(ii) Protection of Children

Persons of age under 18 are strictly prohibited from working in our Group. We believe that the best means to eradicate child labour would be giving children education opportunity. At the Group's operation units which are located in interior regions, Creche and Community Learning Centres are established to provide learning and education facilities for children at their young age.

Children are also vigilantly kept away from areas where hazardous works involving heavy machinery and/ or chemicals is undertaken.



Community Learning Centre (CLC) established in collaboration with the Indonesian Consul-General in Sarawak.

SUSTAINABILITY REPORT 2017 (CONT'D)

(iii) Occupational Safety and Health

A Safety and Health Department ("SHD") of the Group has been established since 1999 to spearhead employees' safety and health practices at workplace. SHD oversees the effective implementation of Occupational Safety and Health Policy and practices at each operating unit of the Group.

A Safety & Health Committee has also been set up at each business units at 46 plantation estates, 7 palm oil mills and 1 Downstream Refinery Complexes to work closely with SHD to ensure occupational safety and health policy and practices are implemented at all times.

The Group's Occupational Safety and Health Policy which was last revised in 2012 has been updated in May 2017 to further tighten safety and health practices at workplace.

Continual improvement in occupational safety & health practices is being undertaken through collaboration with various certified third-party Occupational Safety & Health related agencies.

The Group has also carried out mandatory updating of safety procedures and training of competent persons as required by the Department of Occupational Safety and Health (DOSH) to further improve the current occupational safety & health system.

(a) Fatal Accident Rate

Fatal Accident Rate is calculated based on the following formula (OSH Act 1994 JKPP8).

Fatality Rate = Fatal Accident Rate

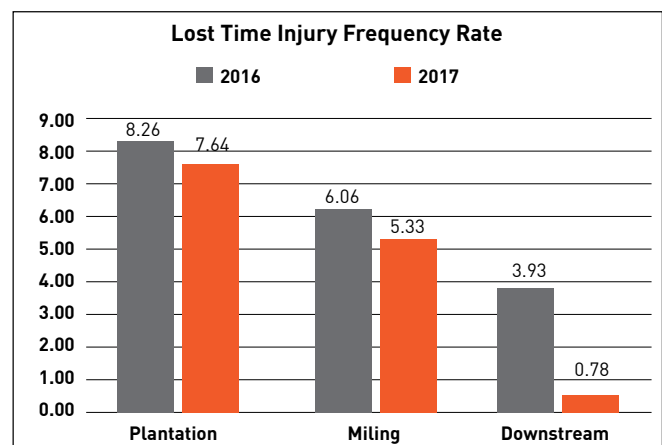
$$\text{Fatal Accident Rate} = \frac{\text{No. of fatalities} \times 1,000}{\text{Annual average no. of employees}}$$

The Group's goal is to achieve zero fatality. Unfortunately there were two fatalities in 2017 (2016: nil).

Every fatality is investigated and a thorough review undertaken to determine the causes and actions taken to eliminate the underlying factors. Training and re-training is reinforced to create greater occupational safety awareness and on the appropriate use of protective equipment to minimize risks. Necessary bereavement arrangements are handled compassionately and compensation under Foreign Workers Compensation Scheme or SOSCO provided to bereaved family.

(b) Lost Time Injury Frequency Rate

Lost time injury frequency rate refers to the number of lost time injuries occurring at the workplace per one million man-hours worked. During the year, lost time injury frequency rates were lower as depicted in the bar charts below as compared to previous year.



Lost Time Injury Frequency Rate formula is as follows:-

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

Formula based on guidelines on Occupational Safety And Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning And Occupational Disease) Regulations 2004.

SUSTAINABILITY REPORT 2017 (CONT'D)

(iv) Training and Occupational Safety & Health Activities

(a) Training

In-house and external training are provided to employees to upgrade / enhance their knowledge and skills.

- External Training Provider

The Group has engaged Academy of Safety and Emergency Care (ASEC), Malaysia, to conduct first aid courses and training to the employees. Upon successful training, the employees become the certified first aiders in the Group's operation units.

- Training provided by Suppliers

The Group has also engaged suppliers who supplied chemical, machinery and vehicles to provide training on chemical handling to chemical handlers, and competency training on machinery and vehicles operation to machinery and vehicle drivers.

- Internal Training

Internal training has been carried out at each operation unit throughout the year on vehicle competency training, safety work procedures, safety handling of tools & equipment at mechanical and vehicle workshops.

(b) Occupational Safety & Health Activities

Various occupational safety & health activities had been carried out to promote safety & health at workplace.

- Health Surveillance Programme as stipulated in the Guidelines on Medical Surveillance 2001, i.e. Chemical Health Risks Assessment (CHRA). Personal Chemical Exposure Monitoring (PCEM) under CHRA, to monitor the exposure to chemical, particle dust, fume and mist in field, workshop and milling operation.
- Audiometric Testing Programme as stipulated under FMA 1967 (Noise Exposure Regulations) has been performed on employees at the manufacturing facilities who are exposed to noise from machines.
- Firefighting and Fire drill sessions are conducted on a regular basis by respective Emergency Response Team (ERT) at each operation units.



First aid training on CPR



Chemical Exposure Monitoring device set up on worker who handles chemical spraying

SUSTAINABILITY REPORT 2017 (CONT'D)

(c) Employee Team Building Activities

Sports events, games, outings, gatherings etc help to foster relationships amongst peers and family members. These activities keep employees energized, knitted closely, and created a healthy working environment and a happy working & family life.



Festival celebrations gatherings : Gawai, Hari Raya Aidilfitri, Chinese New Year, Deepavali



Inter-Department Badminton competition



Tele-match in plantation estates



Annual Dinner - a night of appreciation held for its employees.

SUSTAINABILITY REPORT 2017 (CONT'D)

SOCIAL AND COMMUNITY

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 the areas of education, healthcare, disaster relief and others.

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

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

Year	Recipients	Value (RM)
2016	199	24,160.00
2017	150	31,530.00

(ii) STUDENTS ADOPTION PROGRAMME (SAP)

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

Year	Recipients	Value (RM)
2016	91	37,600.00
2017	93	58,630.00



Photograph session with recipients of SAP and YAA in Miri region

(iii) Community Health and Well-being Program

(a) Vision Care Program

Our Vision Care Program reaches out to the nearby longhouses surrounding the vicinity of the Group's plantation estates in collaboration with various government bodies to provide free eye-screening as an effort to reduce the incidence of preventable blindness especially among children and elderly folks. The communities receive free eye check-ups. Spectacles and surgeries are fully funded by SOPB to those in need.

SUSTAINABILITY REPORT 2017 (CONT'D)

Year	Spectacles Given	Surgeries	Value (RM)
2016	182	Nil	14,098.00
2017	37	3	4,600.00



(b) Blood Donation Drive

Blood donation drive is held twice every year since 2015 to assist the Blood Transfusion Unit of Miri General Hospital in overcoming the shortage of the blood supply during critical period.

The Group also worked together with Malaysia Red Crescent (MRC) Miri Chapter for organ donor pledges in hope that this good deed will bring hope and healing to the people who are waiting for life-saving organ transplants.

To date Blood Donation Drive and Organ Donor Pledge has successfully obtained 364 blood pints and with 31 organ donors pledged.

(c) Colour Rush Run Sponsorship

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



Colour Rush Run Sponsorship

SUSTAINABILITY REPORT 2017 (CONT'D)

(d) Disaster Relief Fund

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

(e) Native Customary Rights (NCR) Collaboration

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



Native Customary Rights (NCR) Collaboration

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403 - 2	TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK-RELATED FATALITIES	38	OCCUPATIONAL SAFETY & HEALTH
403 - 3	WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION	NOT APPLICABLE	

SUSTAINABILITY REPORT 2017 (CONT'D)

DISCLOSURE (S)		PAGE NUMBER	SECTION
GRI 404 : TRAINING & EDUCATION			
404 - 1	AVERAGE HOURS OF TRAINING THAT THE ORGANIZATION'S EMPLOYEES HAVE UNDERTAKEN DURING THE REPORTING PERIOD, BY (I) GENDER (II) EMPLOYEE CATEGORY	NOT DISCLOSED	
404 - 2	PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS	39	EMPLOYEE
404 - 3	PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS	NOT DISCLOSED	
GRI 406 : NON- DISCRIMINATION			
406 - 1	INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTION TAKEN	NOT APPLICABLE	
GRI 407 : FREEDOM OF ASSOCIATION & COLLECTIVE AGREEMENT			
407 - 1	OPERATIONS AND SUPPLIERS IN WHICH THE RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK	NOT APPLICABLE	
GRI 408 : CHILD LABOR			
408 - 1	OPERATIONS AND SUPPLIERS AT SIGNIFICANT RISK FOR INCIDENTS OF CHILD LABOR	NOT APPLICABLE	
GRI 411 : RIGHTS OF INDIGENOUS PEOPLE			
411 - 1	INCIDENTS OF VIOLATIONS INVOLVING RIGHTS OF INDIGENOUS PEOPLE	NOT APPLICABLE	

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;

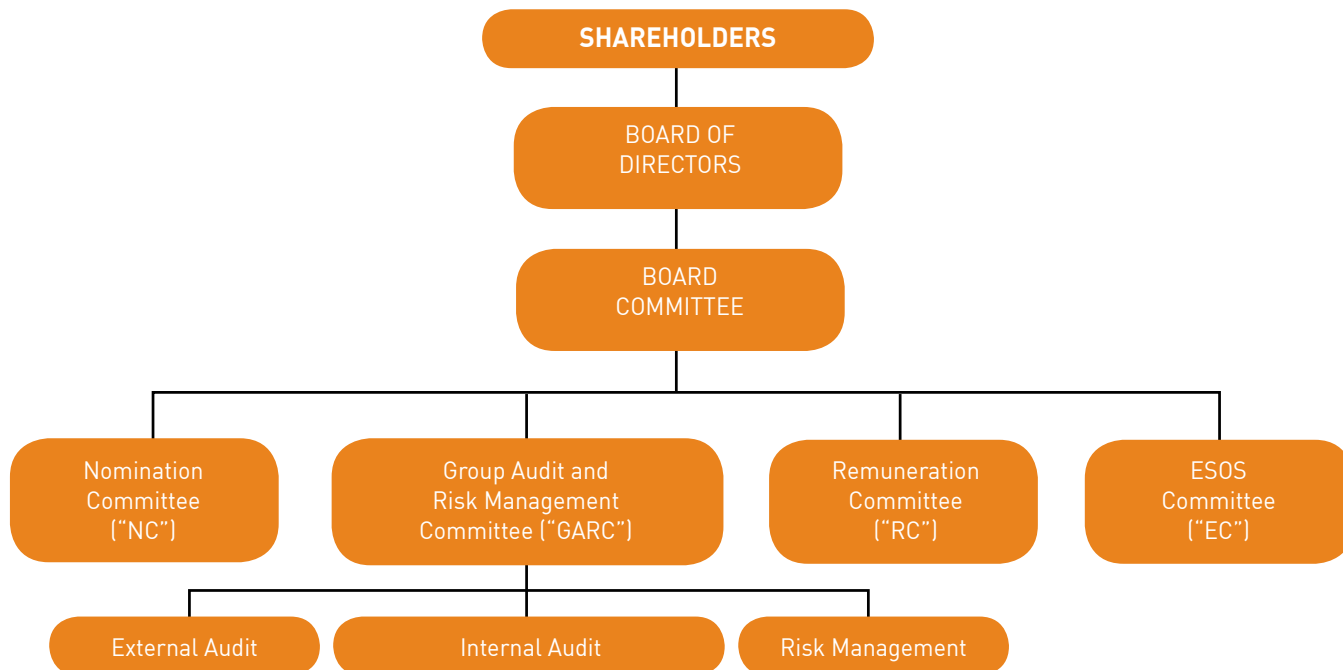
Principle B: Effective audit and risk management; and

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The ten (10) members of the Board comprising of (i) one Executive Director (the Group Executive Chairman), (ii) six Non-Independent Non-Executive Directors, and (iii) three 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 9 to 12 of the Annual Report.

The Board is aware of the gender diversity agenda promulgated in the MCCG but no specific gender diversity targets have been set. The Board acknowledges the value of individual Director appointed who will bring diverse opinions, perspectives, professionalism and integrity, expertise and experiences, and competency and wealth of knowledge to the Board. Nevertheless female Director will be duly considered when suitable candidates are identified.

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 strategic business plans and direction of the Group
- b. Oversee the conduct of Group's business to evaluate whether the business is properly managed;
- c. Identify principal risks and ensure the implementation of appropriate 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.

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 2017, the Committee held one (1) meeting.

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

The GARC had been established since 1992. The composition and terms of reference of this Committee together with its report are presented on page 57 to 59 of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

(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
Hasbi Bin Suhaili	- Non-Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2017, 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
Hasbi Bin Suhaili	- Non-Independent Non-Executive Director
Wong Hee Kwong	- Group Chief Executive Officer

The Committee meets whenever necessary. For the financial year ended 31 December 2017, the Committee held three (3) 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 25 to 42 of the Annual Report.

Supply of Information to Board Members

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Meetings

For the financial year ended 31 December 2017, the Board held five (5) meetings. Directors' profiles and attendance to these meetings could be found in the profiles of Board of Directors on page 9 to 12 and page 165 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.

Board Meetings

The Attendance record of each Director is as follows:

Directors	Number of Meeting Attended
Tan Sri Datuk Ling Chiong Ho	5/5
Fong Yoo Kaw @ Fong Yee Kow, Victor	5/5
Dr Lai Yew Hock, Dominic	3/5
Chua Chen San	5/5
Dato Sri Ahmad Tarmizi Bin Haji Sulaiman – appointed on 10 August 2017	
Cik Hasmawati Binti Sapawi (Alternate to Dato Sri Ahmad Tarmizi Bin Haji Sulaiman – effective from 27 November 2017)	1/2
Ling Chiong Sing	5/5
Ling Lu Kuang	5/5
Tang Tiong Ing	5/5
Hasbi Bin Suhaili	4/5
Kamri Bin Ramlee	5/5

Company Secretary

The Company Secretary, Mr. Eric Kiu Kwong Seng (LS No. 0007062) assumed his role in 1998 and thus has about 19 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

(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 anyone 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 making disclosures while maintaining their anonymity.

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, with exception of the newly appointed directors during the year, 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)
GST Latest Updates / Audit and Malaysian withholding tax	1
Effective Internal Audit Function for Audit Committee Workshop - A Programme for Audit Committee Members	1
The New Companies Act 2016 Seminar "Raising The Bar for Directors"	1
The Companies Act 2016 "Moving Together. Greater Together"	2
Auditors, Financial Statements and Reports under The Companies Act 2016	1
In-House Training on the New Malaysian Code on Corporate Governance – Unpacking it for Practical Application	1
Continuing Professional Development Seminar – Companies Regulations 2017, Annual Returns, Audit Accounts and AGMs Under The Companies Act 2016	1
A Two-Day Workshop on Companies Act 2016	2

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Title of Training Programmes	Duration of training per programme, day (s)
Shares with No Par Value, Share Buybacks and Redeemable Conference and Preference Share – Companies Act1	
Palm Oil Economic Review & Outlook Seminar	1
The New Companies Act 2016 - Highlights on Key Changes	1
Taxation and Employers	1
Creative accounting resulting in fraud	1
Post budget 2017: Tax implications and latest developments	1
Transfer pricing – application, enforcement and documentation	1
Companies Act 2016 – Mastering the impact on Accounting matters and preparation of financial statements	2
Goods and Service Tax compliance audit 2.0 2017	1
The Companies Act 2016 – Addressing the transitional issues	1
National Tax Seminar 2017 - Inland Revenue Board of Malaysia	1
Budget seminar 2017 – Malaysian Institutes of Accountants	1

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 2017 are as follows: -

	COMPANY					SUBSIDIARIES		GROUP
	Fees	Salaries and Bonus	Benefit in Kind	Others	Company Total	Salaries and Bonus	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EXECUTIVE								
Tan Sri Datuk Ling Chiong Ho	60	1,997	20	259	2,336	-	73	2,409
NON-EXECUTIVE								
Tang Tiong Ing	60	-	-	-	60	-	4	64
Ling Lu Kuang	60	-	-	-	60	747	23	830
Dr. Lai Yew Hock	60	-	-	-	60	-	-	60
Chua Chen San	60	-	-	-	60	-	-	60
Fong Yoo Kaw @ Fong Yee Kow	60	-	-	-	60	-	-	60
Hasbi Bin Suhaili	60	-	-	-	60	-	52	112
Ling Chiong Sing	60	-	-	-	60	-	44	104
Kamri Bin Rasmlee	60	-	-	-	60	-	2	62
Dato' Sri Ahmad Tarmizi Bin Haji Sulaiman (Appointed on 10.08.2017)	25	-	-	-	25	-	-	25
Gerald Rentap Jabu (Resigned on 14.02.2017)	7	-	-	-	7	-	4	11
TOTAL	572	1,997	20	259	2,848	747	202	3,797

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 55 to 56 of the Annual Report.

Risk Management and Internal Controls

The Statement on Risk Management and Internal Control is set out on page 57 to 59 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 17 to 19 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 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 MCGG by the Group in the format prescribed by Bursa Malaysia is available at the Group's website, www.sop.com.my

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 27 April 2018.

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 code 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 2017, 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 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 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.

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

OTHER KEY COMPONENTS OF INTERNAL CONTROL SYSTEM

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

Board Meetings

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

Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority

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

Performance Management Framework

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

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

Operational Policies and Procedures

The documented policies and procedures form an integral control system to safeguard the Group's 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, where necessary.

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.

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 27 April 2018.

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 2017.

MEMBERS REPORT

Chairman

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

Independent Non- Executive Director

Members

Dr Lai Yew Hock, Dominic

Independent Non-Executive Director

Tang Tiong Ing CA(M)

Non-Independent Non-Executive Director

Chua Chen San CA(M)

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 summarizing the work performed in fulfilling the Committee's primary responsibilities.
- Any other activities, as authorized 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 authorized 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 2017, four (4) meetings were held. A record of the attendance to these meetings is as follows:

Directors	No. of Meetings Attended
Fong Yoo Kaw (Fong Yee Kow, Victor, CA(M)	4/4
Dr Lai Yew Hock, Dominic	2/4
Tang Tiong Ing, CA(M)	4/4
Chua Chen San CA(M)	3/3

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

SUMMARY OF ACTIVITIES PERFORMED BY THE COMMITTEE

The Committee has carried out its duties in accordance with its terms of reference. A summary of the activities performed is as follows:-

(i) Financial Procedures and Financial Reporting

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

(ii) Related Party Transaction

Monitored related party transactions to ensure no conflict of interest, including any transaction, procedure or course of conduct that raises question on management integrity, arose within the Group.

(iii) Allocation of Share Options

Verified allocation of Employee Share Options (ESOS) to ensure its compliance with the provisions in the ESOS By-Laws and Listing Requirements.

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

(iv) External Audit

- Reviewed with the external auditors, the audit scope and plan.
- Reviewed 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.
- Reviewed the external audit reports and to evaluate their findings and recommendations for actions to be taken.
- Reviewed the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal, if any, before making recommendation to the Board.

(v) Internal Audit

- Reviewed and approved the yearly internal audit plan, internal audit charter and audit programmes.
- Reviewed 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.
- Reviewed the results of the internal audit and ensured that appropriate action is taken by the management on the recommendations of the internal audits.
- Reviewed the performance of the internal audit to ensure that they are able to exercise independence in discharging their duties.
- Approved any appointment or termination of the senior staff members of the internal audit function.
- Reviewed movement of the internal audit staff members and provided opportunity for resigning staff member to submit reasons for resigning.

(vi) Risk Management

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

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 eleven (11) 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 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 the 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 fifteen (15) 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 RM726,162 (2016: RM749,532).

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 2017 set out in pages 65 to 156, 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 27 April 2018.

ADDITIONAL COMPLIANCES INFORMATION

1. NON- AUDIT FEES

The amount of non-audit fees incurred in the financial year ended 31 December 2017 to the Group's external auditors is mainly for the tax advisory and accounting services. The breakdown of the fees is as follows:

Name of Auditor	Fees (RM)
Ernst & Young	54,168
KPMG	274,981
Total	329,149

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 2017 except for the followings:

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

The RRPT entered into by the Group during the financial year ended 31 December 2017 were as follows:-

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2017 Actual (RM'000)
1. The Group	Purchases of diesel and petrol to oil palm estates of SOPB from Shin Yang Services Sdn Bhd ("SY Services")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 123
2. The Group	Purchases of lubricant, office equipment, cement bulk tanker and spare parts for the tractors and machinery from Shin Yang Trading Sdn Bhd ("SY Trading")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 2,761
3. The Group	Purchase of gravel from Hollystone Quarry Sdn Bhd ("HQ")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 13,483
4. The Group	Provision of maintenance services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Lieng Trading Sdn Bhd ("DLT")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 1,748
5. The Group	Purchase of tractors and machinery from Dai Lieng Machinery Sdn Bhd ("DLM")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 5,117
6. The Group	Purchase of spare parts for the tractors and machinery from Dai Lieng Industry Sdn Bhd ("DLI")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 37

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 2017 Actual (RM'000)
7. The Company	Purchase of sawn timber from Shin Yang Sawmill Sdn Bhd ("SYSM")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 25
8. The Company	Purchase of fresh fruit bunches from Linau Mewah Sdn Bhd ("LMSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 66,419
9. The Group	Purchase of fresh fruit bunches from Shin Yang Forestry Sdn Bhd ("SYFSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 1,135
10. The Group	Purchase of plastic bags from Kian Hang Plastic Sdn Bhd ("KHPSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 1,012
11. The Group	Purchase of spare parts and battery for tractors and machinery from Kian Hang Hardware Sdn Bhd ("KHHSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 73
12. The Group	Land transport services from Melinau Transport Sdn Bhd ("MTSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 6,196
13. The Group	Land transport services from Miri Belait Transport Company Sdn Bhd ("MBTCSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 240
14. The Group	Purchase of FFB, CPO and/or PK from Primaluck (M) Sdn Bhd ("PSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 374
15. The Group	Supply of forwarding services for crude palm oils by Melinau Shipping Sdn Bhd ("MSSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 111
16. The Group	Purchase of roofing sheet from Piasau Industries Sdn Bhd ("PISB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 182
17. The Group	Purchase of hydraulic hose from Piasau Hydraulic Hose Sdn Bhd ("PHHSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 227
18. The Group	Supply of acetylene gas and oxygen gas by Piasau Gas Sdn Bhd ("PGSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 486

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 2017 Actual (RM'000)
19. The Group	Supply of methanol by Shin Yang Chemical Sdn Bhd ("SYCSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 492
20. The Company	Purchase of spare parts and motor vehicles and provision of office space by Boulevard Jaya Sdn Bhd ("BJSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 1,040
21. The Group	Purchase of fresh fruit bunches from Danum Sinar Sdn Bhd ("DSSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 16,577
22. The Group	Purchase of fresh fruit bunches from Dataran Seping Sdn Bhd ("DSePing")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 3,350
23. The Group	Purchase of fresh fruit bunches from Selangau Plantation Sdn Bhd ("SPSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 935
24. The Group	Purchase of refreshments from Boulevard Trading Sdn Bhd ("BTSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 41
25. The Group	Purchase of refreshments from Boulevard Hypermarket and Departmental Store Sdn Bhd ("BHDSSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 67
26. The Group	Supply of forwarding services for crude palm oils by Shin Yang Shipping Sdn Bhd ("SY Shipping")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 2,493
27. The Group	Purchase of fresh fruit bunches from Dataran Linau Sdn Bhd ("DLSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 1,448
28. The Group	Purchase of cement product from Pekerjaan Piasau Konkerit Sdn Bhd ("PPKSB")	Tan Sri Datuk Ling Chiong Ho Ling Chiong Sing Ling Lu Kuang Tang Tiong Ing	(1) (2) (3) (4) 14

ADDITIONAL COMPLIANCES INFORMATION (CONT'D)

Note

- (1) *Tan Sri Datuk Ling Chiong Ho is the Group Executive Chairman and major shareholder of SOPB and is also the Director of SYHSB, SY Trading, HQ, SYFSB, SYSM, LMSB, BJSB, PPKSB, DSSB, DSeping, SPSB and DLSB. He has substantial direct/indirect interest in SYHSB, SY Services, SY Trading, HQ, SYSM, LMSB, SYFSB, KHPSB, MTSB, MBTCSB, BJSB, PSB, SY Shipping, SYCSB, DLT, DLM, DLI, BHDSSD, BTSB, KHHSB, PPKSB, PGSB, PHHSB, PISB, DSSB, DSeping, SPSB, DLSB and MSSB.*
- (2) *Ling Chiong Sing is the Non-Executive Director of SOPB and is also the Director of SYHSB, DLT, DLM, DLI, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, MBTCSB, BJSB, BHDSSB, BTSB, KHHSB, PPKSB, PGSB, PHHSB, PISB, DSSB, DSeping, SPSB, DLSB and MSSB. He has substantial direct/indirect interest in SYHSB, DLT, DLM, DLI, SY Services, MTSB, KHPSB, LMSB, HQ, SYFSB, SY Trading, SYSM, MBTCSB, PSB, SY Shipping, SYCSB, BJSB, BHDSSB, BTSB, KHHSB, PPKSB, PGSB, PHHSB, PISB, DSSB, DSeping, SPSB, DLSB and MSSB.*
- (3) *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.)*
- (4) *Tang Tiong Ing is the Non-Executive Director of SOPB, an authorized representative and also an employee of Shin Yang Group.*

4. ADDITIONAL ESOS INFORMATION

Pursuant to paragraph 27, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia, the aggregate maximum allocation of ESOS applicable to Directors and senior management is up to 50%. The actual ESOS granted to the Directors and Senior Management in the financial year 2017 is 30%.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	258,609	159,781
Profit attributable to:		
Owners of the Company	238,779	159,781
Non-controlling interests	19,830	-
	258,609	159,781

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 2016 were as follows:

	RM'000
In respect of the financial year ended 31 December 2016 as reported in the Directors' report of that year:	
First and final single-tier dividend of 5% on 570,790,446 ordinary shares, paid on 21 July 2017	28,540

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2017, of 6 sen per ordinary share on 570,818,246 ordinary shares, amounting to a dividend payable of RM34,249,095 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 2018.

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 **
 Kamri Bin Ramlee **
 Chua Chen San
 Dato Sri Ahmad Tarmizi Bin Sulaiman (Appointed on 10.8.2017)
 Hasmawati Binti Sapawi
 (Alternate Director to Dato Sri Ahmad
 Tarmizi Bin Sulaiman) (Appointed on 27.11.2017)

** 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
 Chua Chin Wei
 Chua Kian Hong
 Datu Dr. Haji Sulaiman Bin Husaini
 Datu Haji Sarudu Bin Hoklai
 Datuk Tan Thian Siang
 Eric Kiu Kwong Seng
 George Lentton Anak Indang (Appointed on 5.7.2017)
 John Wayne Anak Chamberlin Sirau
 Kong Lee Luang
 Loh Poh Hwa
 Mersal Bin Abang Rosli
 Mohammad Faisal Bin Jaffar
 (Alternate Director to Azmi Bin Bujang)
 Sajeli Bin Kipli (Appointed on 6.6.2017)
 Tuan Haji Soedirman Hj Aini
 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 35 to the financial statements.

DIRECTORS' REPORT (CONT'D)

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 1 January 2017	Bought	Sold	At 31 December 2017	
The Company					
Direct interest					
Tan Sri Datuk Ling Chiong Ho	40,049,600	-	(2,000)	40,047,600	
Tang Tiong Ing	224,845	-	-	224,845	
Dr. Lai Yew Hock	50,657	-	-	50,657	
Deemed interest					
Tan Sri Datuk Ling Chiong Ho	162,787,900	-	-	162,787,900	
Ling Lu Kuang	-	10,500,000	-	10,500,000	
Ling Chiong Sing	162,787,900	-	-	162,787,900	
Share options of the Company					
	Exercise Price RM3.60	Number of options over ordinary shares			
		At 1 January 2017	Granted	Exercised	At 31 December 2017
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
Hasbi Bin Suhaili		-	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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
Bonus	518	466	518	466
Fees	137	107	64	45
Other emoluments	1,738	1,407	1,738	1,407
Estimated money value of benefits-in-kind	20	28	20	28
Total executive directors' remuneration (including benefits-in-kind)	2,413	2,008	2,340	1,946
Non-executive:				
Fees	676	515	547	405
Other emoluments	747	-	-	-
Total non-executive directors' remuneration	1,423	515	547	405
Total directors' remuneration	3,836	2,523	2,887	2,351

Included in the analysis above is remuneration for Directors of the Group and 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 RM570,111,366 to RM570,818,246 by way of the issuance of 706,880 ordinary shares for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM2.19 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 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.

A 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 36 to the financial statements.

During the financial year:

The Company granted 36,959,300 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 2017 are as follows:

Expiry date	Weighted average exercise price RM	Number of options
18 September 2027	3.60	36,886,500

DIRECTORS' REPORT (CONT'D)

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.
- 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.

DIRECTORS' REPORT (CONT'D)

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office. 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 27 April 2018.

Fong Yoo Kaw & Fong Yee Kow

Tang Tiong Ing

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Fong Yoo Kaw & Fong Yee Kow** and **Tang Tiong Ing**, being two of the Directors of **Sarawak Oil Palms Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 77 to 156 are drawn up in accordance with 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 2017 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 27 April 2018.

Fong Yoo Kaw & Fong Yee Kow

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 77 to 156 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 27 April 2018.

Tho Kheng Chiang (MIA 37095)

Before me,

Datuk Lawrence Lai Yew Son
Commissioner For Oaths (No. Q025)
Lot 1155, 1st Floor, Miri Waterfront Commercial Centre
Jalan Sri Dagang, 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 2017 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 77 to 156.

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 2017, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 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. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described as below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment assessment of Biological Assets

The Group operates oil palm plantations with a carrying amount of biological assets at RM1.03 billion as at 31 December 2017 as stated in Note 15 to the financial statements. This represented 24% of the Group's total assets.

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

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

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

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

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

Impairment assessment of Biological Assets (Continued)

Based on the outcome of the impairment assessments, the carrying amount of the biological assets of these plantations was not impaired.

The impairment assessment of the plantations is significant to our audit due to its magnitude in amount and the use of significant judgement and estimates in determining the recoverable amount of the CGUs.

The assumptions used include estimates of future yields, prices, operating cost, growth rates and discount rate. Our audit procedures included evaluating management's definition of a CGU and assessing the assumptions and estimates made by the management in determining the net cash inflows generated by the CGUs by comparing with past actual outcomes and current market information. We also assessed the discount rate used by reference to the current market assessments of the time value of money and the risks specific to the asset. We considered the sensitivity analysis on key assumptions, particularly the discount rate used, yields and fresh fruit bunch prices.

Impairment assessment of goodwill

The carrying amount of goodwill of the Group was RM168 million as at 31 December 2017, as stated in Note 20 to the financial statements. Under FRS 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 value-in-use (VIU). VIU is the present value of the future cash flows expected to be derived from the CGU.

Based on the outcome of the impairment assessments, the carrying amount of goodwill was not impaired.

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. The assumptions used include estimates of future yields, prices, operating costs and discount rate.

Our audit procedures included evaluating management's definition of a CGU and assessing the assumptions and estimates made by the management in determining the net cash inflows generated by the CGUs by comparing with past actual outcomes and current market information. We also assessed the discount rate used by reference to the current market assessments of the time value of money and the risks specific to the asset. We considered the sensitivity analysis on key assumptions on which the Group has based its cash flow projections and evaluated the adequacy of the disclosures of these key assumptions. Key assumptions are those to which the unit's recoverable amount is most sensitive and are disclosed in Note 20 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.

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

Report on the audit of the financial statements (Continued)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 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.

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

Report on the audit of the financial statements (Continued)

Auditors' responsibilities for the audit of the financial statements (Continued)

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the 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

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
27 April 2018

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	4	4,913,351	4,416,122	1,153,420	996,655
Cost of sales		(4,369,903)	(3,965,860)	(974,046)	(858,103)
Gross profit		543,448	450,262	179,374	138,552
Dividend income	5	-	-	63,130	56,428
Other income	6	43,632	25,504	21,734	15,282
Selling and marketing expenses		(145,450)	(169,473)	(62,488)	(53,625)
Administrative expenses		(37,742)	(33,413)	(6,956)	(7,963)
Other operating expenses		(5,151)	(54,064)	(12,674)	(7,283)
Operating profit		398,737	218,816	182,120	141,391
Finance income	7	19,871	13,633	21,403	23,232
Finance costs	8	(57,345)	(39,564)	(10,498)	(7,795)
Share of results of associates		(1,491)	3,075	-	-
Profit before tax	9	359,772	195,960	193,025	156,828
Income tax expense	12	(101,163)	(53,672)	(33,244)	(27,762)
Profit net of tax		258,609	142,288	159,781	129,066
Profit attributable to:					
Owners of the Company		238,779	132,196	159,781	129,066
Non-controlling interests		19,830	10,092	-	-
		258,609	142,288	159,781	129,066
Earnings per share attributable to owners of the Company (sen per share)					
Basic	13	41.84	28.05		
Diluted	13	41.79	28.02		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit net of tax		258,609	142,288	159,781	129,066
Other comprehensive income:					
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(223)	328	-	-
Fair value adjustment on cash flow hedge		408	17	-	-
Income tax relating to components of other comprehensive income	12	(98)	(4)	-	-
Transferred of cash flow hedge to profit or loss		58	-	-	-
Other comprehensive income for the year, net of tax		145	341	-	-
Total comprehensive income for the year		258,754	142,629	159,781	129,066
Total comprehensive income attributable to:					
Owners of the Company		238,924	132,537	159,781	129,066
Non-controlling interests		19,830	10,092	-	-
		258,754	142,629	159,781	129,066

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	14	1,547,257	1,585,207	223,242	259,703
Biological assets	15	1,030,946	1,037,688	79,006	55,766
Land held for property development	16(a)	41,102	20,262	-	-
Land use rights	17	5,016	5,009	-	-
Investment in subsidiaries	18	-	-	1,498,477	1,018,267
Investment in associates	19	-	1,895	45	1,031
Intangible asset	20	168,123	168,123	-	-
Derivatives	24	544	-	-	-
Deferred tax assets	30	55,930	67,226	-	-
		2,848,918	2,885,410	1,800,770	1,334,767
Current assets					
Inventories	21	368,022	315,711	61,673	51,886
Property development costs	16(b)	3,922	29,482	-	-
Trade and other receivables	22	386,665	347,553	320,811	682,891
Other current assets	23	2,126	2,814	405	505
Derivatives	24	9,088	6,719	2,432	218
Tax recoverable		15,753	9,502	5,486	6,489
Cash and bank balances	25	639,177	736,111	183,695	190,850
		1,424,753	1,447,892	574,502	932,839
Total assets		4,273,671	4,333,302	2,375,272	2,267,606
Equity and liabilities					
Current liabilities					
Loans and borrowings	26	615,890	910,577	17,418	178,845
Trade and other payables	27	295,133	771,516	85,068	129,383
Government grant	28	796	782	-	-
Income tax payable		1,878	5,818	706	706
Derivatives	24	4,853	24,044	-	-
Land premium payable	29	-	6,965	-	-
		918,550	1,719,702	103,192	308,934
Net current assets/(liabilities)		506,203	(271,810)	471,310	623,905

STATEMENTS OF FINANCIAL POSITION (CONT'D) AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current liabilities					
Loans and borrowings	26	796,991	277,754	187,866	21,832
Derivatives	24	-	48	-	-
Government grant	28	14,436	13,658	-	-
Deferred tax liabilities	30	342,008	328,716	40,222	36,256
Land premium payable	29	-	20,779	-	-
		1,153,435	640,955	228,088	58,088
Total liabilities		2,071,985	2,360,657	331,280	367,022
Net assets		2,201,686	1,972,645	2,043,992	1,900,584
Equity attributable to owners of the Company					
Share capital	31	819,860	570,111	819,860	570,111
Share premium	31	-	246,844	-	246,844
Employee share option reserve	32	10,607	7,695	10,607	7,695
Other reserves	33	2,099	1,954	-	-
Retained earnings		1,264,663	1,048,074	1,213,525	1,075,934
		2,097,229	1,874,678	2,043,992	1,900,584
Non-controlling interests		104,457	97,967	-	-
Total equity		2,201,686	1,972,645	2,043,992	1,900,584
Total equity and liabilities		4,273,671	4,333,302	2,375,272	2,267,606

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 2017

Group	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000		Attributable to Equity Holders of the Company					Non-controlling interests RM'000
		Equity, total RM'000	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	
Opening balance at 1 January 2017	1,972,645	1,874,678	570,111	246,844	7,695	1,954	1,048,074	97,967	
Profit net of tax	258,609	238,779	-	-	-	-	238,779	19,830	
Other comprehensive income	145	145	-	-	-	145	-	-	
Total comprehensive income	258,754	238,924	-	-	-	145	238,779	19,830	
Dividend paid to non-controlling interests in subsidiaries	(13,340)	-	-	-	-	-	-	(13,340)	
Dividends on ordinary shares	(28,540)	(28,540)	-	-	-	-	(28,540)	-	
Issuance of ordinary shares	1,549	1,549	1,516	33	-	-	-	-	
Pursuant to exercise of share options	10,618	10,618	-	-	10,618	-	-	-	
Share options granted under ESOS	-	-	1,356	-	(1,356)	-	-	-	
Exercise of share options	-	-	-	-	(6,350)	-	6,350	-	
Reversal of employee share option reserve	-	-	-	-	-	-	-	-	
Transfer pursuant to Companies Act 2016 (Note 2.2(a))	-	-	246,877	(246,877)	-	-	-	-	
Closing balance at 31 December 2017	2,201,686	2,097,229	819,860	-	10,607	2,099	1,264,663	104,457	

STATEMENTS OF CHANGES IN EQUITY (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Equity attributable to owners of the Company		Attributable to Equity Holders of the Company					
		Equity, total RM'000	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 2016		1,499,868	1,403,784	441,307	16,724	6,191	1,613	937,949	96,084
Profit net of tax		142,288	132,196	-	-	-	-	132,196	10,092
Other comprehensive income		341	341	-	-	-	341	-	-
Total comprehensive income		142,629	132,537	-	-	-	341	132,196	10,092
Dividend paid to non-controlling interests in subsidiaries		(8,340)	-	-	-	-	-	-	(8,340)
Dividends on ordinary shares	42	(22,090)	(22,090)	-	-	-	-	(22,090)	-
Dilutions of interest in subsidiaries		150	19	-	-	-	-	19	131
Issuance of ordinary shares									
Pursuant to exercise of share options		3,166	3,166	2,127	1,039	-	-	-	-
Pursuant to exercise of rights issue		354,695	354,695	126,677	228,018	-	-	-	-
Share options granted under ESOS		2,567	2,567	-	-	2,567	-	-	-
Exercise of share options		-	-	-	1,063	(1,063)	-	-	-
Closing balance at 31 December 2016		1,972,645	1,874,678	570,111	246,844	7,695	1,954	1,048,074	97,967

STATEMENTS OF CHANGES IN EQUITY (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	Equity, total RM'000	Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Retained earnings RM'000
Opening balance at 1 January 2017		1,900,584	570,111	246,844	7,695	1,075,934
Profit net of tax, representing total comprehensive income		159,781	-	-	-	159,781
Dividends on ordinary shares	42	(28,540)	-	-	-	(28,540)
Issuance of ordinary shares:						
Pursuant to exercise of share options		1,549	1,516	33	-	-
Share options granted under ESOS:						
Recognised in profit or loss		3,979	-	-	3,979	-
Charged to subsidiaries		6,639	-	-	6,639	-
Exercise of share options		-	1,356	-	(1,356)	-
Reversal of employee share option reserve		-	-	-	(6,350)	6,350
Transfer pursuant to Companies Act 2016 (Note 2.2(a))		-	246,877	(246,877)	-	-
Closing balance at 31 December 2017		2,043,992	819,860	-	10,607	1,213,525

Company	Note	Equity, total RM'000	Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Retained earnings RM'000
Opening balance at 1 January 2016		1,433,180	441,307	16,724	6,191	968,958
Profit net of tax, representing total comprehensive income		129,066	-	-	-	129,066
Dividends on ordinary shares	42	(22,090)	-	-	-	(22,090)
Issuance of ordinary shares:						
Pursuant to exercise of share options		3,166	2,127	1,039	-	-
Pursuant to exercise of rights issue		354,695	126,677	228,018	-	-
Share options granted under ESOS:						
Recognised in profit or loss		1,360	-	-	1,360	-
Charged to subsidiaries		1,207	-	-	1,207	-
Exercise of share options		-	-	1,063	(1,063)	-
Closing balance at 31 December 2016		1,900,584	570,111	246,844	7,695	1,075,934

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Operating activities					
Profit before tax		359,772	195,960	193,025	156,828
<u>Adjustments for:</u>					
Amortisation of land use rights	17	98	94	-	-
Amortisation of biological assets	15	49,771	27,703	2,150	2,770
Amortisation of government grant	6	(398)	-	-	-
Depreciation of property, plant and equipment	14	90,715	79,186	33,471	36,860
Dividend income	5	-	-	(63,130)	(56,428)
Share options granted under ESOS	32	10,618	2,567	3,979	1,360
Fair value changes on derivatives		(21,809)	13,947	(2,214)	(287)
Gain on disposal of property, plant and equipment	6	(1,457)	(1,216)	(5,570)	(669)
Gain on disposal of biological assets	6	(1,352)	-	(1,308)	-
Finance income	7	(19,871)	(13,633)	(21,403)	(23,232)
Interest expense	8	57,345	39,564	10,498	7,795
Impairment loss on receivables	9	18	128	-	-
Impairment loss on property, plant and equipment	9	280	-	-	-
Gain on disposal of associate	6	(582)	-	-	-
Impairment loss on a subsidiary	9	-	-	7,273	-
Unrealised (gain)/loss on foreign exchange		(2,693)	(376)	42	146
Inventories written off	9	7	-	-	-
Property, plant and equipment written off	9	621	502	40	278
Biological assets written off	9	3,016	1,728	849	1,728
Share of results of an associate		1,491	(3,075)	-	-
Total adjustments		165,818	147,119	(35,323)	(29,679)
Operating cash flows before changes in working capital					
		525,590	343,079	157,702	127,149
(Increase)/Decrease in inventories		(52,318)	(3,967)	(9,787)	9,863
Decrease in property development costs		10,508	20,228	-	-
(Increase)/Decrease in trade and other receivables		(42,900)	(40,866)	48	(7,399)
Decrease in other current assets		1,032	3,601	100	187
(Decrease)/Increase in trade and other payables		(479,324)	5,631	(8,372)	8,365
Net movement in subsidiaries balances		-	-	332,728	(26,922)
Total changes in working capital		(563,002)	(15,373)	314,717	(15,906)
Cash flows (used in)/from operations					
		(37,412)	327,706	472,419	111,243
Interest received		6,425	4,690	-	-
Interest paid		(18,151)	(29,987)	(2,336)	(5,290)
Income tax paid		(87,099)	(56,244)	(28,275)	(28,708)
Income tax refunded		280	9,720	-	7,563
Net cash flows (used in)/from operating activities		(135,957)	255,885	441,808	84,808

STATEMENTS OF CASH FLOWS (CONT'D) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Investing activities					
Dividend received		-	-	63,130	56,428
Dividend received from an associate		-	2,370	-	-
Interest received		13,834	8,960	21,403	23,232
Purchase of property, plant and equipment		(45,546)	(55,705)	(13,642)	(11,306)
Increase in biological assets		(43,529)	(22,902)	(25,800)	(19,046)
Increase in land held for property development		(5,787)	(13,498)	-	-
Additions to land use rights		(105)	(202)	-	-
Proceeds from disposal of property, plant and equipment		1,960	1,901	22,172	1,076
Proceeds from disposal of biological assets		2,558	-	1,431	-
Proceeds from disposal/reduction of shares in an associate		986	8,824	986	8,824
Proceeds from partial disposal of shares in subsidiaries		-	150	-	-
Acquisition of additional shares in subsidiaries		-	-	(487,166)	(3,050)
Acquisition of preference shares in subsidiaries		-	-	-	(144,000)
Acquisition of subsidiaries, net of cash		-	(266,143)	(317)	(284,729)
Net movement in deposit restricted in use		(1,000)	-	-	-
Net cash flows used in investing activities		(76,629)	(336,245)	(417,803)	(372,571)
Financing activities					
Net movement in trade financing		(304,136)	145,247	(156,299)	40,772
Repayment of loans and borrowings		(153,085)	(163,100)	(19,500)	(80,700)
Repayment of obligations under finance leases		(7,585)	(8,215)	(3,166)	(4,057)
Proceeds from exercise of ESOS		1,549	3,166	1,549	3,166
Proceeds from exercise of rights issue		-	354,695	-	354,695
Proceeds from loans and borrowings		687,832	86,126	183,000	84,100
Proceeds from government grant		1,190	1,875	-	-
Dividend paid		(28,540)	(22,090)	(28,540)	(22,090)
Dividend paid to non-controlling interests		(13,340)	(8,340)	-	-
Repayment of land premium		(27,744)	-	-	-
Interest paid		(42,153)	(11,318)	(8,162)	(2,505)
Net cash flows from/(used in) financing activities		113,988	378,046	(31,118)	373,381
Net (decrease)/increase in cash and cash equivalents		(98,598)	297,686	(7,113)	85,618
Effect of exchange rate changes		(2,349)	1,189	(42)	(146)
Cash and cash equivalents at 1 January		736,111	437,236	190,850	105,378
Cash and cash equivalents at 31 December	25	635,164	736,111	183,695	190,850

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2017 as described fully in Note 2.2.

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

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

On 15 September 2016, the Companies Act 2016 ("New Act") was enacted and it replaces the Companies Act, 1965 in Malaysia with effect from 31 January 2017. The key changes of the New Act on the financial statements are disclosed in Note 2.2.

2.2 Changes in accounting policies

(a) Changes in regulatory requirements

Companies Act 2016 ("New Act")

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company upon the commencement of the New Act on 31 January 2017 are:

- the removal of authorised share capital;
- the ordinary shares of the Company will cease to have par or nominal value; and
- the Company's share premium will become part of share capital

(b) Changes in accounting policies

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

On 1 January 2017, the Group and the Company adopted the following new and amended FRSs mandatory for annual financial periods beginning on or after 1 January 2017.

- Amendments to FRS 107: Disclosure Initiatives
- Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to FRS Standards 2014 – 2016 Cycle: Amendments to FRS 12: Disclosure of Interests in Other Entities – Clarification of the Scope of Disclosure Requirements in FRS 12

The adoption of the above new FRSs, Amendments to FRSs and Annual Improvements to FRSs did not have any effect on the financial performance or position of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.3 Adoption of MFRS Framework

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

The Group has established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

- (i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;
- (ii) Evaluation of any training requirements; and
- (iii) Preparation of a conversion plan.

(b) Implementation and review phase

This phase aims to:

- (i) develop training programs for the staff;
- (ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;
- (iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and
- (iv) develop disclosures required by the MFRS Framework.

The financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2017 could be different if prepared under the MFRS Framework. Set out below are the Group's and the Company's best estimates of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework as at the date of preparing these financial statements. However, the actual effects of transition to the MFRS Framework may differ from the estimates disclosed below due to the ongoing assessment being undertaken by the Group and the Company's project team.

- (a) The details of adjustments to opening retained earnings and other account balances as at 1 January 2017 and 1 January 2018 are detailed below.

	← Group →			← Company →			
	FRS 31.12.2016 RM'000	Adjustments RM'000	MFRS 1.1.2017 RM'000	FRS 31.12.2016 RM'000	Adjustments RM'000	MFRS 1.1.2017 RM'000	
Non-current assets							
Property, plant and equipment	(iii)	1,585,207	1,037,688	2,622,895	259,703	55,766	315,469
Biological assets	(iii)	1,037,688	(1,037,688)	-	55,766	(55,766)	-
Current assets							
Biological assets	(i)	-	24,295	24,295	-	2,411	2,411
Non-current liabilities							
Deferred tax liabilities	(ii)	328,716	5,831	342,008	36,256	579	36,835
Equity							
Retained earnings	(i),(ii)	1,048,074	18,464	1,066,538	1,075,934	1,832	1,077,766

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.3 Adoption of MFRS Framework (Continued)

- (a) The details of adjustments to opening retained earnings and other account balances as at 1 January 2017 and 1 January 2018 are detailed below. (Continued)

		Group			Company		
		FRS 31.12.2017 RM'000	Adjustments RM'000	MFRS 1.1.2018 RM'000	FRS 31.12.2017 RM'000	Adjustments RM'000	MFRS 1.1.2018 RM'000
Non-current assets							
Property, plant and equipment	(iii)	1,547,257	1,030,946	2,578,203	223,242	79,006	302,248
Biological assets	(iii)	1,030,946	(1,030,946)	-	79,006	(79,006)	-
Current assets							
Biological assets	(i)	-	15,981	15,981	-	1,818	1,818
Non-current liabilities							
Deferred tax liabilities	(ii)	342,008	3,836	345,844	40,222	436	40,658
Equity							
Retained earnings	(i),(ii)	1,264,663	12,145	1,276,808	1,213,525	1,382	1,214,907

- (b) The below represents impact on cost of sales and income tax expenses.

		Group			Company		
		FRS RM'000	MFRS RM'000	Impact due to the change RM'000	FRS RM'000	MFRS RM'000	Impact due to the change RM'000
Year ended 31 December 2017:							
Cost of sales	(i)	4,369,903	4,361,589	(8,314)	974,046	973,453	(593)
Income tax expenses	(ii)	101,163	103,158	1,995	33,244	33,387	143

Note to the reconciliations:

Biological assets

- (i) This represents the carrying amount of produce growing on bearer plants measured at fair value less costs to sell. Produce growing on bearer plants is a biological asset and is within the scope of MFRS 141: Agriculture. The produce will be measured at fair value less cost to sell with the changes in fair value recognised in profit or loss and will be classified as current assets within biological assets. Prior to MFRS, produce growing on bearer plants is not recognised.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

- (ii) This represents the tax impact of accounting for the produce growing on bearer plants measured at fair value.
- (iii) Upon adoption of MFRS 141, bearer plants are within the scope of MFRS 116: Property, Plant and Equipment.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation

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

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

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

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

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

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

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

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

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

Business combinations

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration will be recognised in profit or loss. However, if the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

Business combinations (Continued)

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

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

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

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 Transactions with non-controlling interests

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

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

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.7 Foreign currency (Continued)

(b) Foreign currency transactions (Continued)

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.

(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.

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.9 Biological assets

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

All replanting expenditure is also capitalised in biological assets and amortised on the above-mentioned basis.

2.10 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.

2.11 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.

2.12 Impairment of non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.12 Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss.

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

2.13 Investments in associates

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Land held for property development

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

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

Property development costs

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

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

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

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

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

2.16 Inventories

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. 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

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

2.17 Financial assets

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

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

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

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

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

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

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

(b) Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.17 Financial assets (Continued)

(b) Loans and receivables (Continued)

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

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

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

2.18 Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.19 Financial liabilities

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

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

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

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

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

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

(b) Other financial liabilities

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

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

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

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

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

2.20 Financial guarantee contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.21 Borrowing costs

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

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

2.22 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension scheme as defined by the laws of the country in which it has operations. The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

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

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

2.23 Leases

As lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.24 Revenue

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

(a) Sale of goods

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

(b) Rendering of services

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

(c) Sale of properties

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

2.25 Income taxes

(a) Current tax

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

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

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.

(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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.25 Income taxes (Continued)

(b) Deferred tax (Continued)

- 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.

(c) Sales tax

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

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

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

(d) Goods and Services Tax ("GST")

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.26 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.

2.27 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 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 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.

2.29 Contingencies

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.30 Derivative financial instruments and hedge accounting

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

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

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

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

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

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

2.31 Fair value measurements

The Group measures financial instruments at fair value at each reporting date.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

2. Summary of significant accounting policies (Continued)

2.31 Fair value measurements (Continued)

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

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

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

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

2.32 Government grants

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

3. Significant accounting judgements and estimates

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

Key sources of estimation uncertainty

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

(a) Impairment of biological assets

The Group operates oil palm plantations with a carrying amount of biological assets stated at RM1,030,946,000 (2016: RM1,037,688,000) which represented 24% (2016: 24%) of the Group's total assets.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

3. Significant accounting judgements and estimates (Continued)

Key sources of estimation uncertainty (Continued)

(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 also 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.

4. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of palm based products	4,901,945	4,409,158	1,153,420	996,655
Sale of properties	11,406	6,964	-	-
	4,913,351	4,416,122	1,153,420	996,655

5. Dividend income

Dividend income from:

- Subsidiaries	-	-	63,130	54,058
- Associate	-	-	-	2,370
	-	-	63,130	56,428

6. Other income

Gain on disposal of biological assets	1,352	-	1,308	-
Gain on disposal of property, plant and equipment	1,457	1,216	5,570	669
Gain on disposal of an associate	582	-	-	-
Fair value gain on derivatives	21,809	-	2,214	287
Realised gain on derivatives	6,735	-	1,540	-
Rental income	511	317	8,982	9,834
Amortisation of government grant (Note 28)	398	-	-	-
Miscellaneous	5,164	8,885	2,120	4,492
Net gain on foreign exchange	5,624	15,086	-	-
	43,632	25,504	21,734	15,282

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

7. Finance income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from:				
- Short term deposits	16,924	11,157	4,943	3,042
- Current account	2,947	2,476	1,185	1,158
- Advances to subsidiaries	-	-	15,275	19,032
	19,871	13,633	21,403	23,232

8. Finance costs

Interest expenses on:				
- Bank loans	39,324	19,883	8,034	2,247
- Bankers acceptances	12,946	12,261	864	1,145
- Obligations under finance leases	482	448	128	258
- Revolving credits	4,688	8,134	1,262	4,069
- Interest rate swap	84	80	-	-
- Land premium	2,251	-	-	-
- Others	140	499	210	76
	59,915	41,305	10,498	7,795
Less: Amount capitalised in:				
- Biological assets (Note 15)	(1,779)	(278)	-	-
- Property, plant and equipment (Note 14)	(791)	(1,165)	-	-
- Property development costs (Note 16(b))	-	(298)	-	-
Total finance costs	57,345	39,564	10,498	7,795

9. Profit before tax

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

Employee benefits expense (Note 10)	205,711	178,609	48,044	49,344
Non-executive directors' remuneration	1,423	515	547	405
Auditors' remuneration				
- Current year	413	499	120	120
- Underprovision in previous years	20	32	-	20
Depreciation of property, plant and equipment (Note 14)	90,715	79,186	33,471	36,860
Amortisation of biological assets (Note 15)	49,771	27,703	2,150	2,770
Amortisation of land use rights (Note 17)	98	94	-	-
Rental expenses	8,200	16,982	786	785
Incorporation fee	3	-	-	-
Inventories written off	7	-	-	-
Property, plant and equipment written off	621	502	40	278
Biological assets written off	3,016	1,728	849	1,728
Net loss on foreign exchange	-	-	42	146
Fair value loss on derivatives	-	13,947	-	-
Impairment loss on receivables (Note 22)	18	128	-	-
Impairment loss on property, plant and equipment	280	-	-	-
Impairment loss on a subsidiary	-	-	7,273	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

10. Employee benefits expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and wages	194,525	171,404	47,614	48,739
Social security contributions	1,131	654	311	307
Share options granted under ESOS	10,618	2,567	3,979	1,360
Contributions to defined contribution plan	9,812	8,265	2,866	2,975
Other benefits	195	291	60	41
	216,281	183,181	54,830	53,422
Less: Amount capitalised in biological assets	(3,784)	(4,572)	(6,786)	(4,078)
Less: Amount capitalised in property development cost	(6,786)	-	-	-
	205,711	178,609	48,044	49,344

Included in employee benefits expense of the Group and of the Company are the Executive Directors' remuneration amounting to RM2,393,000 (2016: RM1,980,000) and RM2,320,000 (2016: RM1,918,000) respectively as further disclosed in Note 11.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	18,793	11,920	3,866	2,099
Post-employment benefits:				
Defined contribution plan	1,769	1,541	483	357
Share-based payment	5,783	464	2,008	126
	26,345	13,925	6,357	2,582

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	
	2017 '000	2016 '000
At 1 January	1,640	3,293
Granted	3,485	-
Exercised	-	(1,653)
Forfeited	(1,640)	-
At 31 December	3,485	1,640

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 36).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

11. Directors' remuneration

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive:				
Bonus	518	466	518	466
Fees	137	107	64	45
Other emoluments	1,738	1,407	1,738	1,407
Total executive directors' remuneration (excluding benefits-in-kind) (Note 10)	2,393	1,980	2,320	1,918
Estimated money value of benefits-in-kind	20	28	20	28
Total executive directors' remuneration (including benefits-in-kind)	2,413	2,008	2,340	1,946
Non-executive:				
Fees	676	515	547	405
Other emoluments	747	-	-	-
Total non-executive directors' remuneration	1,423	515	547	405
Total directors' remuneration	3,836	2,523	2,887	2,351

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

	Number of Directors	
	2017	2016
Executive Director:		
RM2,000,001 - RM2,050,000	-	1
RM2,400,001 - RM2,450,000	1	-
Non-Executive Directors:		
Below RM50,000	2	6
RM50,001 - RM100,000	5	3
RM100,001 - RM150,000	2	-
RM800,000 - RM850,000	1	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Statement of profit or loss:				
Current income tax:				
Malaysian income tax	74,407	56,648	28,487	25,509
Underprovision in respect of previous years	2,266	668	791	257
	<u>76,673</u>	<u>57,316</u>	<u>29,278</u>	<u>25,766</u>
Deferred income tax (Note 30):				
Origination or reversal of temporary differences	27,552	(3,683)	4,507	1,636
(Over)/Underprovision respect of previous years	(3,062)	39	(541)	360
	<u>24,490</u>	<u>(3,644)</u>	<u>3,966</u>	<u>1,996</u>
Income tax expense recognised in profit or loss	<u>101,163</u>	<u>53,672</u>	<u>33,244</u>	<u>27,762</u>

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 2017 and 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax	359,772	195,960	193,025	156,828
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	86,345	47,030	46,326	37,639
Adjustments:				
Effect of lower tax rate in Singapore	-	(616)	-	-
Non-deductible expenses	11,746	5,992	1,834	3,078
Income not subject to taxation	(342)	(935)	(15,151)	(13,543)
Effect of tax incentives	-	(149)	-	-
Effect of reduction in tax rates	(1,080)	-	-	-
Deferred tax assets not recognised during the year	5,291	1,454	-	-
Reversal of deferred tax assets not recognised in previous years	-	(413)	-	-
Underprovision of income tax in respect of previous years	2,266	668	791	257
(Over)/Underprovision of deferred tax in respect of previous years	(3,062)	39	(541)	360
Utilisation of previously unrecognised capital allowance	-	(11)	-	-
Others	(1)	613	(15)	(29)
Income tax expense recognised in profit or loss	<u>101,163</u>	<u>53,672</u>	<u>33,244</u>	<u>27,762</u>
Deferred tax relating to other comprehensive income:				
Fair value adjustment on cash flow hedge	98	4	-	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

12. Income tax expense (Continued)

Reconciliation between tax expense and accounting profit (Continued)

Malaysian current income tax is calculated at the statutory tax rate of 24% (2016: 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:

	2017	2016
	RM'000	RM'000
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	238,779	132,196
	<hr/>	<hr/>
	2017	2016
	'000	'000
Weighted average number of ordinary shares of basic earnings per share computation	570,692	471,341
Effect of dilution - share options	750	375
Weighted average number of ordinary shares for diluted earnings per share computation	571,442	471,716
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

14. Property, plant and equipment

Group	Land, buildings and infra- structure *	Furniture and office equipment	Motor vehicles and vessels	Plant, machinery and field equipment	Capital work-in- progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost:						
At 1.1.2016	863,424	22,900	107,216	553,611	126,652	1,673,803
Additions	21,033	2,896	1,667	10,864	23,395	59,855
Acquisition of a subsidiary	400,542	1,350	8,654	24,469	274	435,289
Disposals	(162)	(176)	(1,346)	(2,002)	-	(3,686)
Written off	(299)	(72)	(220)	(1,979)	(7)	(2,577)
Reclassification	50,691	21	(789)	26,785	(76,708)	-
Exchange translation differences	941	12	19	-	-	972
At 31.12.2016 and 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	1,373,012	28,872	126,906	666,275	18,283	2,213,348
Accumulated depreciation:						
At 1.1.2016	173,699	11,515	64,527	253,786	-	503,527
Charge for the year	23,174	1,768	7,698	47,336	-	79,976
Reclassification	55	-	(384)	329	-	-
Disposals	(146)	(82)	(940)	(1,833)	-	(3,001)
Written off	(143)	(49)	(207)	(1,676)	-	(2,075)
Exchange translation differences	-	5	17	-	-	22
At 31.12.2016 and 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	231,636	15,116	78,682	340,657	-	666,091
Net carrying amount:						
At 31.12.2016	1,139,531	13,774	44,490	313,806	73,606	1,585,207
At 31.12.2017	1,141,376	13,756	48,224	325,618	18,283	1,547,257

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

14. Property, plant and equipment (Continued)

*Land, Buildings and Infrastructures

Group	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Infrastructures RM'000	Total RM'000
Cost:					
At 1.1.2016	68,625	215,240	273,215	306,344	863,424
Additions	-	294	17,233	3,506	21,033
Reclassification	-	552	32,122	18,017	50,691
Acquisition of a subsidiary	-	297,310	52,074	51,158	400,542
Disposals	-	-	(162)	-	(162)
Written off	-	-	(299)	-	(299)
Exchange translation differences	-	-	941	-	941
At 31.12.2016 and 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	68,625	513,319	390,642	400,426	1,373,012
Accumulated depreciation:					
At 1.1.2016	15,804	22,667	99,088	36,140	173,699
Charge for the year	2,658	1,165	14,440	4,911	23,174
Reclassification	-	-	55	-	55
Disposal	-	-	(146)	-	(146)
Written off	-	-	(143)	-	(143)
At 31.12.2016 and 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
Disposal	-	(25)	(102)	(23)	(150)
Written off	-	(1)	(197)	(23)	(221)
Exchange translation differences	-	-	(6)	-	(6)
At 31.12.2017	21,120	30,938	132,119	47,459	231,636
Net carrying amount:					
At 31.12.2016	50,163	489,564	261,830	337,974	1,139,531
At 31.12.2017	47,505	482,381	258,523	352,967	1,141,376

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

14. Property, plant and equipment (Continued)

Company	Leasehold Land, buildings and infra-structure * RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Machinery and field equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost:						
At 1.1.2016	192,574	15,458	66,495	276,339	4,051	554,917
Additions	114	2,182	770	4,314	4,303	11,683
Disposals	-	(52)	(1,256)	(1,092)	-	(2,400)
Written off	-	(18)	(220)	(833)	-	(1,071)
Reclassifications	25	23	-	730	(778)	-
At 31.12.2016 and 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	197,252	18,670	25,148	283,759	7,902	532,731
Accumulated depreciation:						
At 1.1.2016	68,476	7,593	37,497	155,287	-	268,853
Charge for the year	7,139	1,002	4,529	24,689	-	37,359
Disposals	-	(41)	(990)	(962)	-	(1,993)
Written off	-	(16)	(206)	(571)	-	(793)
At 31.12.2016 and 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	82,573	9,554	19,301	198,061	-	309,489
Net carrying amount:						
At 31.12.2016	117,098	9,055	24,959	101,015	7,576	259,703
At 31.12.2017	114,679	9,116	5,847	85,698	7,902	223,242

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

14. Property, plant and equipment (Continued)

* Leasehold land, buildings and infrastructure

Company	Leasehold land RM'000	Buildings RM'000	Infrastructure RM'000	Total RM'000
Cost:				
At 1.1.2016	38,851	144,433	9,290	192,574
Transferred from capital work-in-progress	-	25	-	25
Additions	-	114	-	114
At 31.12.2016 and 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	38,777	145,419	13,056	197,252
Accumulated depreciation:				
At 1.1.2016	9,064	58,722	690	68,476
Charge for the year	528	6,451	160	7,139
At 31.12.2016 and 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	9,893	71,632	1,048	82,573
Net carrying amount:				
At 31.12.2016	29,259	79,399	8,440	117,098
At 31.12.2017	28,884	73,787	12,008	114,679

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

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 RM10,112,000 (2016: RM2,985,000) and RM572,000 (2016: RM377,000) 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 RM45,546,000 (2016: RM55,705,000) and RM13,642,000 (2016: RM11,306,000) respectively.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Plant and machinery	7,718	10,759	1,348	4,794
Motor vehicles	11,088	6,611	1,882	5,189
	<u>18,806</u>	<u>17,370</u>	<u>3,230</u>	<u>9,983</u>

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

b) Additions to property, plant and equipment include:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loan interests capitalised (Note 8)	791	1,165	-	-
	<u>791</u>	<u>1,165</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit or loss (Note 9)	90,715	79,186	33,471	36,860
Biological assets (Note 15)	1,943	790	562	499
	<u>92,658</u>	<u>79,976</u>	<u>34,033</u>	<u>37,359</u>

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Leasehold land	58,987	24,296	-	-
Building	30,657	-	-	-
	<u>89,644</u>	<u>24,296</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

15. Biological assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost:				
At 1 January	1,267,360	777,143	104,664	106,013
Additions	47,251	23,971	26,362	19,545
Acquisition of a subsidiary	-	487,140	-	-
Disposals	(1,363)	-	(132)	-
Written off	(16,376)	(20,894)	(14,065)	(20,894)
At 31 December	1,296,872	1,267,360	116,829	104,664
Accumulated amortisation:				
At 1 January	229,672	221,135	48,898	65,294
Amortisation for the year (Note 9)	49,771	27,703	2,150	2,770
Disposals	(157)	-	(9)	-
Written off	(13,360)	(19,166)	(13,216)	(19,166)
At 31 December	265,926	229,672	37,823	48,898
Net carrying amount:				
At 31 December	1,030,946	1,037,688	79,006	55,766

Additions to biological assets include:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Depreciation of property, plant and equipment (Note 14)	1,943	790	562	499
Loan interests capitalised (Note 8)	1,779	278	-	-
Amortisation of land use rights (Note 17)	-	1	-	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

16. Land held for property development

(a) Land held for property development

	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group			
Cost:			
At 1 January 2016	6,756	8	6,764
Additions	3,000	635	3,635
Transfer from property development costs	3,055	6,808	9,863
<hr/>			
31 December 2016 and 1 January 2017	12,811	7,451	20,262
Additions	5,788	60	5,848
Transfer to property development costs	(443)	(1,847)	(2,290)
Transfer from property development costs	3,234	14,048	17,282
<hr/>			
At 31 December 2017	21,390	19,712	41,102

(b) Property development costs

Group			
Cumulative property development costs			
At 1 January 2016	11,800	45,642	57,442
Costs incurred during the year	109	10,813	10,922
<hr/>			
At 31 December 2016 and 1 January 2017	11,909	56,455	68,364
Costs incurred during the year	11	6,147	6,158
<hr/>			
At 31 December 2017	11,920	62,602	74,522
<hr/>			
Group			
Cumulative costs recognised in profit or loss			
At 1 January 2016	(586)	(7,444)	(8,030)
Recognised during the year	(531)	(2,180)	(2,711)
<hr/>			
31 December 2016 and 1 January 2017	(1,117)	(9,624)	(10,741)
Recognised during the year	(500)	(7,734)	(8,234)
<hr/>			
At 31 December 2017	(1,617)	(17,358)	(18,975)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

16. Land held for property development (Continued)

(b) Property development costs (Continued)

	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group			
Transfer			
At 1 January 2016	-	-	-
To land held for property development	(3,055)	(6,808)	(9,863)
To inventories	(1,399)	(16,879)	(18,278)
31 December 2016 and 1 January 2017	(4,454)	(23,687)	(28,141)
From land held for property development	443	1,847	2,290
To land held for property development	(3,234)	(14,048)	(17,282)
To inventories	(925)	(7,567)	(8,492)
At 31 December 2017	(8,170)	(43,455)	(51,625)
Property development costs:			
At 31 December 2017	2,133	1,789	3,922
At 31 December 2016	6,338	23,144	29,482

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

	2017 RM'000	2016 RM'000
Finance costs (Note 8)	-	298

17. Land use rights

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost:				
At 1 January	5,349	5,147	-	-
Additions	105	202	-	-
At 31 December	5,454	5,349	-	-
Accumulated amortisation:				
At 1 January	340	245	-	-
Amortisation for the year	98	95	-	-
Recognised in profit or loss (Note 9)	98	94	-	-
Capitalised in biological assets (Note 15)	-	1	-	-
At 31 December	438	340	-	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

17. Land use rights (Continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net carrying amount:				
At 31 December	5,016	5,009	-	-
Amount to be amortised:				
- Not later than one year	99	97	-	-
- Later than one year but not later than five years	397	389	-	-
- Later than five years	4,520	4,523	-	-
	5,016	5,009	-	-

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

18. Investment in subsidiaries

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares at cost		
- Ordinary shares	1,445,750	788,667
- Redeemable preference shares	60,000	229,600
	1,505,750	1,018,267
Impairment loss	(7,273)	-
	1,498,477	1,018,267

Details of the subsidiaries are shown as follows:

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests	
			2017	2016	2017	2016
			%	%	%	%
Held by the Company:						
SOP Karabungan Sdn. Bhd.	Malaysia	Cultivation of oil palms	70	70	30	30
SOP Pelita Batu Lintang Plantation Sdn. Bhd.	Malaysia	Cultivation of oil palms	60	60	40	40
SOP Plantations (Balingian) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	80	80	20	20
SOP Plantations (Beluru) Sdn. Bhd.	Malaysia	Cultivation of oil palms	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

18. Investment in subsidiaries (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %
Held by the Company: (Continued)						
SOP Plantations (Borneo) Sdn. Bhd.	Malaysia	Cultivation of oil palms	85	85	15	15
SOP Plantations (Kemena) Sdn. Bhd.	Malaysia	Cultivation of oil palms	100	100	-	-
SOP Plantations (Niah) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	80	80	20	20
SOP Plantations (Sarawak) Sdn. Bhd.	Malaysia	Investment holding	100	100	-	-
SOP Plantations (Suai) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	85	85	15	15
SOP Plantations (Sabaju) Sdn. Bhd.	Malaysia	Cultivation of oil palms	60	60	40	40
SOP Plantations (Murum) Sdn. Bhd.	Malaysia	Cultivation of oil palms and operations 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	-	-
Subur Asiamas Sdn. Bhd.*	Malaysia	Packaging and distribution of food products	70	70	30	30
SOPB Pte. Ltd.	Singapore	Sales and marketing agents and trading of palm products	##	100	-	-
Asia Oils Investment Pte. Ltd.**	Singapore	Investment holding	100	100	-	-
Asia Oils Captive Pte. Ltd.*	Labuan	Inactive	100	-	-	-
Titian Megamas Sdn. Bhd.	Malaysia	Inactive	100	-	-	-
Murum Trading Sdn. Bhd.	Malaysia	Convenience store	100	-	-	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

18. Investment in subsidiaries (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %
Held through SOP Industries Sdn. Bhd.:						
SOP Green Energy Sdn. Bhd.	Malaysia	Manufacturing of biodiesel	100	100	-	-
SOP Edible Oils Sdn. Bhd.	Malaysia	Refining and trading of palm products	100	100	-	-
SOP Foods Sdn. Bhd.	Malaysia	Manufacturing of bottles for the consumer packaging plant	100	100	-	-
SOP Nutraceuticals Sdn. Bhd.	Malaysia	Inactive	100	100	-	-
Held through SOP Plantations (Beluru) Sdn. Bhd.:						
Setia Wiramaju Sdn. Bhd.	Malaysia	Management and maintenance of road and barge	51.82	51.82	48.18	48.18
Held through SOP Properties Sdn. Bhd.:						
SOP Properties (Mortgage) Sdn. Bhd.	Malaysia	Inactive	100	100	-	-
Wawasan Asiamaju Sdn. Bhd.	Malaysia	Property development	51	51	-	-
Held through SOP Edible Oils Sdn. Bhd.:						
Asia Oils Pte. Ltd.**	Singapore	Sales and marketing agents and trading of palm products	100	100	-	-

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

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

SOPB Pte. Ltd. was under creditors' voluntary winding up on 31 August 2017.

a) Acquisition of subsidiaries

During the current financial year, 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

18. Investment in subsidiaries (Continued)

a) Acquisition of subsidiaries (Continued)

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

2017

Group

	Others RM'000	Total RM'000
Cash and bank balances	317	317
Net identifiable assets	317	317

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

Total cost of the business combination	317	317
Less: Cash and cash equivalents of subsidiaries acquired	(317)	(317)
Net cash outflow on acquisitions	-	-

Goodwill arising on acquisition

Fair value of net identifiable assets	317	317
Less: Non-controlling interests	-	-
Group's interest in fair value of net identifiable assets	317	317
Goodwill on acquisition	-	-
Cost of business combination	317	317

In 2016, the Group completed the following acquisitions:

SOP Plantations (Murum) Sdn. Bhd.

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

The acquisition of SOP Plantations (Murum) Sdn. Bhd. was consistent with the Group's plans to continue to expand its oil palm cultivation business by acquiring new land banks in Sarawak. Subsequent to acquisition by the Group, SOP Plantations (Murum) Sdn. Bhd. contributed significantly to planted hectares and unplanted land banks of the Group.

Asia Oils Investment Pte. Ltd.

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

Asia Oils Pte. Ltd.

In 2016, the Group acquired 100% equity interest in Asia Oils Pte. Ltd. for a cash consideration of USD2,000,000.

Wawasan Asiamaju Sdn. Bhd.

In 2016, the Group acquired an additional 1.5% equity interest or 1,500 ordinary shares in Wawasan Asiamaju Sdn. Bhd. for a cash consideration of RM1,500.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

18. Investment in subsidiaries (Continued)

a) Acquisition of subsidiaries (Continued)

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

2016 Group

	SOP Plantations (Murum) Sdn. Bhd. RM'000	Asia Oils Pte. Ltd. RM'000	Others RM'000	Total RM'000
Property, plant and equipment	435,289	-	-	435,289
Biological assets	487,140	-	-	487,140
Inventories	22,733	-	-	22,733
Trade and other receivables	19,354	-	46	19,400
Cash and bank balances	18,248	8,038	339	26,625
	982,764	8,038	385	991,187
Loans and borrowings	23,595	-	-	23,595
Trade and other payables	630,607	-	54	630,661
Provision for taxation	2,427	-	-	2,427
Deferred tax liabilities	204,641	-	-	204,641
	861,270	-	54	861,324
Net identifiable assets	121,494	8,038	331	129,863
Less: Non-controlling interest	-	-	(33)	(33)
Net identifiable assets acquired	121,494	8,038	298	129,830
The effect of the acquisitions on cash flows is as follows:				
Total cost of the business combination	284,432	8,038	298	292,768
Less: Cash and cash equivalents of subsidiaries acquired	(18,248)	(8,038)	(339)	(26,625)
Net cash outflows on acquisitions	266,184	-	(41)	266,143

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

18. Investment in subsidiaries (Continued)

a) Acquisition of subsidiaries (Continued)

2016
Group

	SOP Plantations (Murum) Sdn. Bhd. RM'000	Asia Oils Pte. Ltd. RM'000	Others RM'000	Total RM'000
<u>Goodwill arising on acquisition</u>				
Fair value of net identifiable assets	121,494	8,038	298	129,830
Less: Non-controlling interests	-	-	-	-
Group's interest in fair value of net identifiable assets	121,494	8,038	298	129,830
Goodwill on acquisition (Note 20)	162,941	-	-	162,941
Cost of business combination	284,435	8,038	298	292,771

Impact of acquisition in Statement of comprehensive income

In 2016, SOP Plantations (Murum) Sdn. Bhd. had not contributed to the Group's profit net of tax as the acquisition was deemed to have taken place on 31 December 2016.

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

2016
Group

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

If the acquisitions had taken place at the beginning of the financial year, the Group's profit from continuing operations, net of tax would have been RM35,668,000 and revenue from continuing operations would have been RM195,641,000.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

18. Investment in subsidiaries (Continued)

b) Non-controlling interests

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

(i) Summarised statements of financial position

	SOP Plantations (Niah) Sdn. Bhd.		SOP Plantations (Balingian) Sdn. Bhd.		SOP Plantations (Borneo) Sdn. Bhd.		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current assets	51,189	53,735	40,955	42,771	108,311	117,234	200,455	213,740
Current assets	101,197	97,877	96,976	86,937	127,647	116,651	325,820	301,465
Total assets	152,386	151,612	137,931	129,708	235,958	233,885	526,275	515,205
Current liabilities	7,907	4,170	2,976	4,943	6,768	8,287	17,651	17,400
Non-current liabilities	10,131	10,350	7,001	8,374	23,046	24,516	40,178	43,240
Total liabilities	18,038	14,520	9,977	13,317	29,814	32,803	57,829	60,640
Net assets	134,348	137,092	127,954	116,391	206,144	201,082	468,446	454,565
Equity attributable to owners of the Company	107,478	109,674	102,363	93,113	175,222	170,920	385,063	373,707
Non-controlling interests	26,870	27,418	25,591	23,278	30,922	30,162	83,383	80,858

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017 (CONT'D)

18. Investment in subsidiaries (Continued)

b) Non-controlling interests (Continued)

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

	SOP Plantations (Niah) Sdn. Bhd.		SOP Plantations (Balingian) Sdn. Bhd.		SOP Plantations (Borneo) Sdn. Bhd.		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	52,608	48,930	49,966	46,408	118,294	100,438	220,868	195,776
Profit for the year, representing total comprehensive income	22,256	16,996	21,763	17,838	45,063	31,949	89,082	66,783
Total comprehensive income attributable to owners of the Company	17,805	13,597	17,410	14,270	38,304	27,157	73,519	55,024
Total comprehensive income attributable to the non-controlling interests	4,451	3,399	4,353	3,568	6,759	4,792	15,563	11,759
	22,256	16,996	21,763	17,838	45,063	31,949	89,082	66,783
Dividend paid to non-controlling interests	5,000	3,000	2,040	2,040	6,000	3,000	13,040	8,040

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

18. Investment in subsidiaries (Continued)

b) Non-controlling interests (Continued)

(iii) Summarised cash flows

	SOP Plantations (Niah) Sdn. Bhd.		SOP Plantations (Balingian) Sdn. Bhd.		SOP Plantations (Borneo) Sdn. Bhd.		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net cash from operating activities	29,062	13,750	24,294	19,824	53,680	35,218	107,036	68,792
Net cash from/(used in) investing activities	2,594	1,380	(1,028)	(970)	3,111	884	4,677	1,294
Net cash used in financing activities	(25,000)	(15,000)	(10,200)	(10,986)	(40,000)	(20,024)	(75,200)	(46,010)
Net increase in cash and cash equivalents	6,656	130	13,066	7,868	16,791	16,078	36,513	24,076
Cash and cash equivalents at beginning of the year	89,902	89,772	81,083	73,215	102,795	86,717	273,780	249,704
Cash and cash equivalents at end of the year	96,558	89,902	94,149	81,083	119,586	102,795	310,293	273,780

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

19. Investment in associates

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	45	1,031	45	1,031
Share of post acquisition reserves	(45)	864	-	-
	-	1,895	45	1,031

Details of the associates are as follows:

Name of company	Country of incorporation	Principal activities	% of ownership interest held by the Group		Accounting method applied
			2017	2016	
			%	%	
Micaline Sdn. Bhd.	Malaysia	Shipping agency	-	45	Equity method
Sinar Asiamas Sdn. Bhd.	Malaysia	Shipping	45	45	Equity method

Disposal of an associate

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. has ceased to be the associate of the Company.

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

	Group	
	2017 RM'000	2016 RM'000
Assets and liabilities		
Total assets	1,744	16,286
Total liabilities	(2,214)	(12,699)
Results		
Revenue	20,387	31,474
(Loss)/Profit for the year	(3,804)	6,834

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

20. Intangible asset

Goodwill

	2017 RM'000	Group 2016 RM'000
Cost:		
At 1 January	168,123	5,182
Acquisition of a subsidiary (Note 18)	-	162,941
	<hr/>	<hr/>
At 31 December	168,123	168,123
	<hr/>	<hr/>

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:

	2017 RM'000	Group 2016 RM'000
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
	<hr/>	<hr/>
	168,123	168,123
	<hr/>	<hr/>

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

(i) FFB prices	RM415 to RM472/MT
(ii) Yields	1.18 to 27.00MT/HA
(iii) Pre-tax discount rate	9.0%

(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) Pre-tax discount rates used for cash flows discounting purpose is the Group's weighted average cost of capital.

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 goodwill to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

21. Inventories

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost				
Refined products	57,537	136,877	-	-
Raw materials	3,035	4,977	2,213	1,233
Crude palm oil and palm kernel	133,909	90,803	34,855	20,900
Nursery inventories	5,762	5,714	3,011	3,522
Stores and spares	32,191	33,470	21,594	20,805
Consumables	34,826	24,920	-	-
Completed properties	26,770	18,278	-	-
Trading goods	170	-	-	-
	294,200	315,039	61,673	46,460
Net realisable value				
Refined products	73,460	672	-	5,426
Finished goods	362	-	-	-
	73,822	672	-	5,426
	368,022	315,711	61,673	51,886

22. Trade and other receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current:				
Trade receivables				
Third parties	223,757	176,130	-	11
Amount due from a subsidiary	-	-	31,754	34,872
	223,757	176,130	31,754	34,883
Less: Allowance for impairment	(146)	(128)	-	-
	223,611	176,002	31,754	34,883
Other receivables				
Other receivables	52,141	77,004	8,169	9,697
Amount due from an associate	-	1,631	-	1,631
Amount due from subsidiaries	-	-	262,584	621,498
Advance payment to suppliers	5,200	14,910	-	-
Refundable deposits	2,272	3,768	1,635	3,131
GST receivables	103,441	74,238	16,669	12,051
	163,054	171,551	289,057	648,008
Total trade and other receivables	386,665	347,553	320,811	682,891
Add: Cash and bank balances (Note 25)	639,177	736,111	183,695	190,850
Total loans and receivables	1,025,842	1,083,664	504,506	873,741

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

22. Trade and other receivables (Continued)

a) Trade receivables

The Group and the Company trade receivables are non-interest bearing and are generally on 30 day (2016: 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	102,402	72,173	70	32,920
1 to 30 days past due not impaired	120,589	101,021	26,416	-
31 to 60 days past due not impaired	115	287	5,068	1,963
61 to 90 days past due not impaired	-	668	-	-
91 to 120 days past due not impaired	494	657	2	-
More than 121 days past due not impaired	11	1,196	198	-
	121,209	103,829	31,684	1,963
Impaired	146	128	-	-
	223,757	176,130	31,754	34,883

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 RM121,209,000 (2016: RM103,829,000) and RM31,684,000 (2016: RM1,963,000) respectively that are past due at the reporting date but not impaired.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

22. Trade and other receivables (Continued)

a) Trade receivables (Continued)

Receivables that are impaired

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

	2017 RM'000	2016 RM'000
Total receivable	146	128
Less: Allowance for impairment	(146)	(128)
	-	-
Movement in allowance accounts:		
At 1 January	128	-
Charge for the year (Note 9)	18	128
	146	128

b) Amount due from subsidiaries

Amount due from subsidiaries, net of trade and other payables due to them, bears interest at COF + 1.1% (2016: COF + 1.1%) per annum.

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

c) Amount due from an associate

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

23. Other current assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Prepaid operating expenses	2,126	2,814	405	505

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

24. Derivatives

Group	Contract Nominal Amount 2017 RM'000	Assets 2017 RM'000	Liabilities 2017 RM'000	Contract Nominal Amount 2016 RM'000	Assets 2016 RM'000	Liabilities 2016 RM'000
	Forward and futures commodity contracts	497,215	4,137	4,559	29,897	6,306
Commodity swaps	23,861	2,432	-	22,192	413	-
Interest rate swap	22,876	-	99	17,926	-	61
Forward currency contracts	150,600	2,519	-	58,242	-	842
Cash flow hedges	50,000	544	195	18,333	-	135
Total derivatives		9,632	4,853		6,719	24,092
Less: current portion		(9,088)	(4,853)		(6,719)	(24,044)
Non-current portion		544	-		-	48
Company						
Commodity swap	23,861	2,432	-	13,332	218	-
Total derivatives		2,432	-		218	-

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

25. Cash and bank balances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at banks and on hand	120,903	382,960	34,187	102,613
Short term deposits with licensed banks	518,274	353,151	149,508	88,237
Cash and bank balances	639,177	736,111	183,695	190,850

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

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Deposits with licensed banks	2.70 - 3.95	3.05 - 3.71	3.30 - 3.80	2.95 - 3.50

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

	Group		Company	
	2017 Days	2016 Days	2017 Days	2016 Days
Deposits with licensed banks	1 - 120	30 - 90	30 - 90	30 - 90

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and short term deposits	639,177	736,111	183,695	190,850
Less: Bank overdraft (Note 26)	(3,013)	-	-	-
Less: Fixed deposits	(1,000)	-	-	-
	635,164	736,111	183,695	190,850

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

26. Loans and borrowings

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Secured:				
Bank overdraft (Note 25)	3,013	-	-	-
Bankers acceptances/short term loans	107,991	133,956	-	-
Obligations under finance leases (Note 34(b))	5,406	5,933	835	3,046
Revolving credits	66,000	91,000	-	-
Term loans	124,792	103,580	-	-
	307,202	334,469	835	3,046
Unsecured:				
Revolving credits	-	100,400	-	100,400
Bankers acceptances/short term loans	215,430	368,362	-	55,899
Trust receipts	76,675	87,846	-	-
Term loans	16,583	19,500	16,583	19,500
	308,688	576,108	16,583	175,799
	615,890	910,577	17,418	178,845
Non-current				
Secured:				
Obligations under finance leases (Note 34(b))	5,930	2,884	387	770
Term loans	751,000	204,208	183,000	-
	756,930	207,092	183,387	770
Unsecured:				
Term loans	40,061	70,662	4,479	21,062
	796,991	277,754	187,866	21,832
Total loans and borrowings	1,412,881	1,188,331	205,284	200,677

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
On demand or within one year	615,890	910,577	17,418	178,845
Later than 1 year but not later than 2 years	113,272	139,540	4,798	17,231
Later than 2 years but not later than 5 years	497,717	134,607	183,068	4,601
Later than 5 years	186,002	3,607	-	-
	1,412,881	1,188,331	205,284	200,677

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

26. Loans and borrowings (Continued)

Bankers acceptances/short term loans

Bankers acceptances/short term loans are secured by a debenture incorporating floating charge over all present and future assets of a subsidiary.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 14).

Revolving credits

Revolving credits are secured by charges over certain leasehold land of the Group and negative pledge over existing and future assets of the Company.

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 of the Group.

The ranges of interest rates during the financial year for loans and borrowings are as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Bankers acceptances/short term loans	3.53 - 3.92	3.52 - 4.41	N/A	3.69
Bank overdraft	4.30	N/A	N/A	N/A
Obligations under finance leases	4.96 - 5.33	5.22 - 5.33	4.96 - 5.11	5.22 - 5.24
Term loans				
- Floating rates	4.35 - 4.90	4.33 - 4.90	4.35 - 4.86	4.33
Trust receipts	1.28 - 1.67	1.28 - 1.67	N/A	N/A
Revolving credits	4.41 - 5.10	4.41 - 5.15	N/A	4.50 - 4.70

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

27. Trade and other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables				
Third parties	209,327	228,377	23,289	32,337
Amount due to subsidiaries	-	-	23,293	59,546
	209,327	228,377	46,582	91,883
Other payables				
Retention sums payable to contractors	1,195	1,178	1,195	1,178
Deposits received	798	706	91	84
Other payable and accrued operating expenses	83,813	541,210	35,831	35,134
Amount due to an associate	-	45	-	45
Amount due to subsidiaries	-	-	1,369	1,059
	85,806	543,139	38,486	37,500
Total trade and other payables	295,133	771,516	85,068	129,383
Add: Loans and borrowings (Note 26)	1,412,881	1,188,331	205,284	200,677
Total financial liabilities carried at amortised cost	1,708,014	1,959,847	290,352	330,060

a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 day (2016: 30 to 60 day) terms.

b) Amounts due to subsidiaries and an associate

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

c) Other payable and accrued operating expenses

In 2016, included in other payable and accrued operating expenses was an amount of RM464,437,000 owed by a subsidiary for the acquisition of oil palm plantation business. This amount was due to a company in which certain Directors of the Company had substantial financial interests and were repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

28. Government grant

	2017	2016
	RM'000	RM'000
Cost:		
At 1 January	14,440	12,565
Received during the year	1,190	1,875
At 31 December	15,630	14,440
Accumulated amortisation:		
At 1 January	-	-
Amortisation for the year (Note 6)	398	-
At 31 December	398	-
Net carrying amount:		
At 31 December	15,232	14,440
Current	796	782
Non-current	14,436	13,658

The government grant of RM15,630,000 has been received to partly finance the construction of an advanced integrated bio-refinery plant.

29. Land premium payable

	2017	2016
	RM'000	RM'000
Portion payable within 1 year	-	8,412
Portion payable after 1 year but not later than 5 years	-	25,118
Total outstanding	-	33,530
Less: Finance charges	-	(5,786)
Present value of land premium payable	-	27,744
Present value of land premium payable:		
Not later than 1 year	-	6,965
Later than 1 year but not later than 5 years	-	20,779
	-	27,744

In 2016, the land premium bore interest at 8.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

30. Deferred tax

Group	As at 1 January 2016 RM'000	Recognised in profit or loss RM'000	Exchange differences RM'000	Recognised in other compre- hensive income RM'000		Acquisition of oil palm plantation business RM'000	As at 31 December 2016 RM'000	Recognised in profit or loss RM'000	Recognised in other compre- hensive income RM'000	As at 31 December 2017 RM'000
Deferred tax liabilities										
Property, plant and equipment	147,122	5,409	-	-	-	93,204	245,735	15,630	-	261,365
Biological assets	124,959	(554)	-	-	-	111,437	235,842	(882)	-	234,960
Fair value adjustment on cash flow hedge	-	-	-	-	-	-	-	-	84	84
	272,081	4,855	-	-	-	204,641	481,577	14,748	84	496,409
Deferred tax assets:										
Unutilised tax losses	(71,855)	(2,840)	-	-	-	-	(74,695)	(1,637)	-	(76,332)
Unabsorbed capital allowance and agriculture allowance	(136,444)	5,324	21	-	-	-	(131,099)	4,755	-	(126,344)
Fair value adjustment on cash flow hedge	(36)	-	-	4	-	-	(32)	18	14	-
Others	(3,278)	(10,983)	-	-	-	-	(14,261)	6,606	-	(7,655)
	(211,613)	(8,499)	21	4	-	-	(220,087)	9,742	14	(210,331)
	60,468	(3,644)	21	4	4	204,641	261,490	24,490	98	286,078

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

30. Deferred tax (Continued)

	As at 1 January 2016 RM'000	Recognised in profit or loss RM'000	As at 31 December 2016 RM'000	Recognised in profit or loss RM'000	As at 31 December 2017 RM'000
Company					
Deferred tax liabilities:					
Property, plant and equipment	24,669	(1,733)	22,936	(1,637)	21,299
Biological assets	9,591	3,729	13,320	5,603	18,923
	34,260	1,996	36,256	3,966	40,222

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(55,930)	(67,226)	-	-
Deferred tax liabilities	342,008	328,716	40,222	36,256
	286,078	261,490	40,222	36,256

31. Share capital and share premium

	Number of ordinary shares '000	Share Capital RM'000	Amount Share Premium RM'000	Total RM'000
Issued and fully paid				
Group/Company				
At 1.1.2016	441,307	441,307	16,724	458,031
Ordinary shares issued during the year:				
Exercise of share options	2,127	2,127	1,039	3,166
Exercise of rights issue	126,677	126,677	228,018	354,695
Transfer from employee share option reserve arising from exercise of share options	-	-	1,063	1,063
At 31.12.2016	570,111	570,111	246,844	816,955

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

31. Share capital and share premium (Continued)

	Number of ordinary shares '000	Amount		Total RM'000
		Share Capital RM'000	Share Premium RM'000	
Issued and fully paid				
Group/Company				
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 reserve arising from exercise of share options	-	1,356	-	1,356
Transfer from share premium account pursuant to the Companies Act 2016	-	246,877	(246,877)	-
At 31.12.2017	570,818	819,860	-	819,860

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 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium of RM246,877,000 for purposes as set out in Section 618(3) of the Act. There is 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.

32. Employee share option reserve

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	7,695	6,191	7,695	6,191
Share options granted under ESOS				
Recognised in profit or loss	10,618	2,567	3,979	1,360
Charged to subsidiaries	-	-	6,639	1,207
Transfer to Share Premium arising from exercise of share options	-	(1,063)	-	(1,063)
Transfer to Share Capital arising from exercise of share options	(1,356)	-	(1,356)	-
Reversal of employee share option reserve to retained earnings	(6,350)	-	(6,350)	-
At 31 December	10,607	7,695	10,607	7,695

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

33. Other reserves

	Hedge Reserve RM'000	Foreign Currency Translation Reserve RM'000	Total RM'000
Group			
At 1 January 2016	(116)	1,729	1,613
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	328	328
Fair value adjustment on cash flow hedge	13	-	13
At 31 December 2016 and 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	265	1,834	2,099

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

34. Commitments

a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure:				
Approved and contracted for:				
Biological assets	2,178	-	-	-
Property, plant and equipment	75,470	10,188	2,387	1,545
	77,648	10,188	2,387	1,545
Approved but not contracted for:				
Biological assets	10,718	5,436	4,812	1,853
Property, plant and equipment	46,114	45,833	23,667	25,526
	56,832	51,269	28,479	27,379
	134,480	61,457	30,866	28,924

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments				
Not later than 1 year	5,854	6,233	870	3,159
Later than 1 year but not later than 2 years	4,400	2,215	330	664
Later than 2 years but not later than 5 years	1,758	768	69	125
Total minimum lease payments	12,012	9,216	1,269	3,948
Less: Amounts representing finance charges	(676)	(399)	(47)	(132)
Present value of minimum lease payments	11,336	8,817	1,222	3,816
Present value of payments:				
Not later than 1 year	5,406	5,933	835	3,046
Later than 1 year but not later than 2 years	4,201	2,131	319	648
Later than 2 years but not later than 5 years	1,729	753	68	122
Present value of minimum lease payments	11,336	8,817	1,222	3,816
Less: Amount due within 12 months (Note 26)	(5,406)	(5,933)	(835)	(3,046)
Amount due after 12 months (Note 26)	5,930	2,884	387	770

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

35. 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	
	2017 RM'000	2016 RM'000
Significant transactions with subsidiaries		
Purchase of fresh fruit bunches	513,382	399,462
Purchase of goods	8,618	5,919
Sale of seedlings and consumables	(120)	(872)
Sale of goods and services	(1,136,418)	(981,303)
Sale of property, plant and equipment	(20,885)	(662)
Purchase of property, plant and equipment	234	512
Interest expenses recharged	(15,275)	(19,016)
Management fees	(200)	(200)
Other income	(8,003)	(12,215)
Other services	-	(156)
Rental charges	122	103
Dividend income	(63,130)	(56,428)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Transactions with companies owned substantially by Directors Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing				
Purchase of spare parts and consumables	28,802	21,546	5,725	5,693
Purchase of crude palm oil and palm kernel	-	192,207	-	-
Purchase of fresh fruit bunches	90,487	67,850	66,419	67,850
Purchase of property, plant and equipment	1,949	-	-	-
Sales of goods and services	(699)	(1,541)	-	-
Transportation charges	6,154	4,853	-	-
Sale of property, plant and equipment	-	-	-	(456)
Other income	-	-	-	(28)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

36. Employee benefits

Employee Share Options Scheme ("ESOS")

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

A new ESOS governed by the by-laws was approved by the shareholders at the Extraordinary General Meeting held on 9 August 2017. The ESOS was implemented on 19 September 2017 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.
- (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 by an external valuer using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at granted date and the assumptions are as follows:

	2017	2016
Fair value of share options at the following grant dates (RM):		
28 September 2017	3.60	-
12 March 2016	-	4.11
Weighted average share price (RM)	3.99	4.77
Weighted average exercise price (RM)	3.60	4.34
Expected volatility (%)	25.36	32.12
Expected life (years)	5	5
Risk free rate (%)	3.25	3.25
Expected dividend yield (%)	0	0

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

36. Employee benefits (Continued)

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

The expected life of the options is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

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

	Outstanding 1 January '000	Granted '000	Movements during the year			Outstanding 31 December '000	Exercisable 31 December '000
			Exercised '000	Forfeited and other adjustments '000	Expired '000		
2017							
2017 options	-	36,959	(28)	(45)	-	36,886	13,578
WAEP	-	3.60	3.60	3.60	-	3.60	3.60
2016							
2016 options	-	328	-	(24)	-	304	304
2015 options	621	-	-	(46)	-	575	575
2014 options	628	-	-	(50)	-	578	578
2013 options	471	-	-	(53)	-	418	418
2012 options	708	-	-	(9)	-	699	699
2011 options	185	-	(63)	44	-	166	166
2010 options	591	-	(251)	21	-	361	361
2009 options	124	-	(114)	44	-	54	54
2008 options	10	-	(65)	66	-	11	11
2007 options	2,036	-	(1,635)	(135)	-	266	266
WAEP	3.43	4.11	1.49	3.95	-	4.34	4.34

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

Grant date	WAEP RM	Exercised Period
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 706,880 (2016: 2,127,220) ordinary shares at an average price of RM2.19 (2016: RM1.49) each. The related weighted average share price at the date of exercise was 3.99 (2016: 4.77).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

37. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial liabilities:				
Group				
Non-current				
Interest-bearing loans and borrowings				
- Obligations under finance leases	5,930	2,884	6,124	2,880
Financial liabilities:				
Company				
Non-current				
Interest-bearing loans and borrowings				
- Obligations under finance leases	387	770	387	770

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	22
Trade and other payables	27
Loan and borrowings (current and non-current except non-current fixed rates loans and borrowings)	26

Financial guarantees

The fair value of financial guarantees is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

38. Fair value measurement

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
31 December 2017				
Assets for				
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
Liabilities for				
Interest-bearing loans and borrowings				
- non-current				
- Obligations under finance leases	-	6,124	-	6,124
Derivatives				
- Interest rate swaps	-	99	-	99
- Cash flow hedges	-	195	-	195
- Commodity forward contracts	-	4,559	-	4,559
31 December 2016				
Assets for				
Derivatives				
- Commodity forward contracts	-	6,306	-	6,306
- Commodity swaps	-	413	-	413
Liabilities for				
Interest-bearing loans and borrowings				
- non-current				
- Obligations under finance leases	-	2,880	-	2,880
Derivatives				
- Interest rate swaps	-	61	-	61
- Forward currency contracts - US dollar	-	842	-	842
- Cash flow hedges	-	135	-	135
- Commodity forward contracts	-	23,054	-	23,054

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

38. Fair value measurement (Continued)

Fair value hierarchy (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company				
31 December 2017				
Assets for				
- Derivatives	-	-	-	-
- Commodity forward contracts	-	2,432	-	2,432
Liabilities for				
Interest-bearing loans and borrowings non-current	-	-	-	-
Obligations under finance leases	-	387	-	387
31 December 2016				
Assets for				
- Derivatives	-	-	-	-
- Commodity forward contracts	-	218	-	218
Liabilities for				
Interest-bearing loans and borrowings non-current	-	-	-	-
Obligations under finance leases	-	770	-	770

There have been no transfers between Level 1 and Level 2 during the financial year.

39. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall financial risk management strategy seeks to minimise potential adverse effects of financial performance of the Group. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk.

Financial risk management policies are periodically reviewed and approved by the Board of Directors and executed by risk management committees. The Group Risk Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers are subject to credit verification procedures. Receivables are monitored on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

39. Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 22.

Corporate financial guarantees

The Company provides corporate financial guarantees to financial institutions on subsidiaries' bank loans at a total nominal amount of RM1,073,903,000 (2016: RM730,950,000).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and cash equivalents, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

Group	On demand or within 1 year RM'000	Between 1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 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
Total undiscounted financial liabilities	956,494	652,870	257,499	1,866,863
At 31 December 2016				
Financial liabilities:				
Derivatives	24,044	48	-	24,092
Land premium payable	8,412	25,118	-	33,530
Trade and other payables	771,516	-	-	771,516
Loans and borrowings	926,628	294,148	3,763	1,224,539
Total undiscounted financial liabilities	1,730,600	319,314	3,763	2,053,677

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017 (CONT'D)

39. Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

Company	On demand or within 1 year RM'000	Between 1 to 5 years RM'000	Total RM'000
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
Total undiscounted financial liabilities	1,185,860	216,800	1,402,660
At 31 December 2016			
Financial liabilities:			
Trade and other payables	129,383	-	129,383
Loans and borrowings	180,898	22,438	203,336
Financial guarantee contracts*	730,950	-	730,950
Total undiscounted financial liabilities	1,041,231	22,438	1,063,669

* 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 RM1,065,000 (2016: RM896,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the functional currency of the Group (RM). The foreign currency in which these transactions are denominated is primarily United States Dollars (USD).

The Group manages its foreign currency risk by hedging transactions using forward currency contracts.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

39. Financial risk management objectives and policies (Continued)

(d) Foreign currency risk (Continued)

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 Profit net of tax		Company Profit net of tax	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
USD/RM - strengthen by 5%	(4,283)	7,362	8	22
USD/RM - weaken by 5%	4,283	(7,362)	(8)	(22)

(e) Commodity price risk

The prices of crude palm oil are subject to fluctuations due to global demand. The value of the Group's open sales and purchases commitments and inventory changes accordingly to the movements in the commodity price. The Group minimises risks arising from such fluctuations by hedging its sales either through direct purchases of a similar commodity or through futures contracts on the commodity exchanges.

At the reporting date, a 5% (2016: 5%) increase/decrease of the commodity price indices, with all other variables held constant, would have increased/decreased profit before tax by RM1,931,000 (2016: RM15,282,000).

40. 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 2017 and 31 December 2016.

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and borrowings	26	1,412,881	1,188,331	205,284	200,677
Total equity		2,201,686	1,972,645	2,043,992	1,900,584
Gearing ratio		64.17%	60.24%	10.04%	10.56%

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

41. 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.

	Oil Palm		Property development		Adjustments and eliminations		Per consolidated financial statements		Notes
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM	
Revenue:									
External customers	4,899,448	4,407,805	13,903	8,317	-	-	4,913,351	4,416,122	
Inter-segment	3,894,406	2,308,656	-	-	(3,894,406)	(2,308,656)	-	-	A
Total revenue	8,793,854	6,716,461	13,903	8,317	(3,894,406)	(2,308,656)	4,913,351	4,416,122	
Results:									
Interest income	35,996	33,608	89	88	(16,214)	(20,063)	19,871	13,633	
Dividend income	63,260	56,505	-	-	(63,260)	(56,505)	-	-	
Depreciation and amortisation	133,714	104,764	351	384	6,519	1,835	140,584	106,983	
Share of results of associates	-	-	-	-	(1,491)	3,075	(1,491)	3,075	
Fair value loss/(gain) on derivatives	21,809	(13,947)	-	-	-	-	21,809	(13,947)	
Other non-cash expenses	23,403	4,905	247	20	(9,090)	-	14,560	4,925	B
Segment profit/(loss)	417,243	272,195	731	2,069	(58,202)	(78,304)	359,772	195,960	C
Assets:									
Investment in associates	45	1,031	-	-	(45)	864	-	1,895	
Additions to non-current assets	125,888	1,169,088	122	333	(22,205)	(23)	103,805	1,169,398	D
Segment assets	5,770,652	5,155,559	89,093	84,432	(1,586,074)	(906,689)	4,273,671	4,333,302	E
Segment liabilities	2,330,800	2,972,443	48,657	79,512	(307,472)	(691,298)	2,071,985	2,360,657	F

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

41. 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	2017 RM'000	2016 RM'000
Share options granted under ESOS	10	10,618	2,567
Property, plant and equipment written off	9	621	502
Biological assets written off	9	3,016	1,728
Impairment loss on receivables	9	18	128
Inventories written off	9	7	-
Impairment of property, plant and equipment	9	280	-
		14,560	4,925

C The following items are added to/(deducted from) segment (loss)/profit to arrive at “(Loss)/Profit before tax from continuing operations” presented in the consolidated statement of profit or loss:

	2017 RM'000	2016 RM'000
Dividend from subsidiaries and associate	(63,260)	(56,505)
(Loss)/Profit from inter-segment sales	(7,862)	(22,138)
Finance costs	(389)	(2,379)
Share of results of an associate	(1,491)	3,075
Unallocated corporate expenses	14,800	(357)
	(58,202)	(78,304)

D Additions to non-current assets consist of:

	2017	2016
Property, plant and equipment	56,449	495,144
Biological assets	47,251	511,111
Land use rights	105	202
Intangible assets	-	162,941
	103,805	1,169,398

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Investment in an associate	(45)	864
Inter-segment assets	(1,586,029)	(907,553)
	(1,586,074)	(906,689)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

41. Segment information (Continued)

- F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Deferred tax liabilities	98,859	94,785
Inter-segment liabilities	(406,331)	(786,083)
	(307,472)	(691,298)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	2,138,460	2,681,185	2,610,331	2,633,710
Singapore	2,774,891	1,734,937	13,990	14,456
	4,913,351	4,416,122	2,624,321	2,648,166

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2017 RM'000	2016 RM'000
Property, plant and equipment	1,547,257	1,585,207
Biological assets	1,030,946	1,037,688
Land use rights	5,016	5,009
Land held for property development	41,102	20,262
	2,624,321	2,648,166

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

42. Dividends

	Group/Company	
	2017	2016
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
Final dividend for 2016:		
5 Sen (2015: 5 Sen) per share	28,540	22,090
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 2017:		
6 Sen (2016: 5 Sen) per share	34,249	28,506

43. 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 there after 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 Jangan 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.

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.

On 7 March 2018, the Plaintiff had filed an application for leave to the Federal Court to appeal against the Court of Appeal's decision. No hearing date had been fixed.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017 (CONT'D)

43. Contingent liabilities (Continued)

Details of contingent liabilities are as follows: (Continued)

- (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.

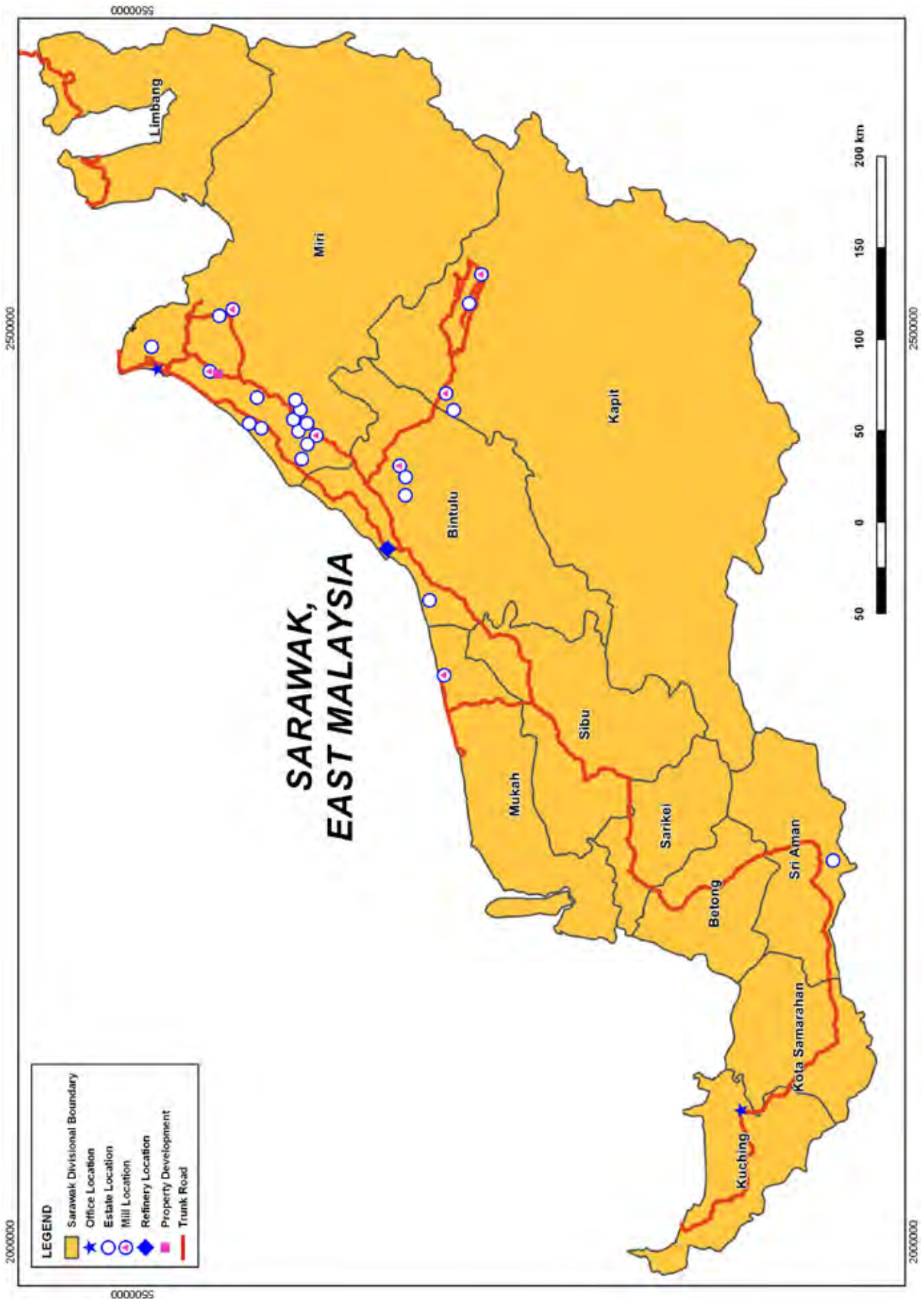
44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 27 April 2018.

PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2017

Company	Location of Property Sarawak	Year of Acquired/ Revaluation	Tenure	Year of Expiry	Size Hectares	Description Net	Book Value As at 31 Dec 2017 (RM'000)	Age of Building (Years)	Book Value As at 31 Dec 2016 (RM'000)	Age of Building (Years)
SOPB	1 Kebuloh Estate	1971-1972	Leasehold 87-97 years	2067	2314	Oil Palm Estate & Oil Palm Mill				
SOPB	2 Luak Estate	1977-1980	Leasehold 87-97 years	2067	2310	Oil Palm Estate	302,249	3 to 37	315,469	2 to 36
SOPB	3 Telabit Estate	1989	Leasehold 99 years	2085	2762	Oil Palm Estate				
SOPB	4 Pinang Estate	1981	Leasehold 99 years	2090	1296	Oil Palm Estate				
SOPB	5 Galasah Estate	1989	Leasehold 99 years	2084	1894	Oil Palm Estate & Oil Palm Mill				
SOPP Balingian	6 Balingian Estate 1	1997	Leasehold 60 years	2057	1679	Oil Palm Estate & Oil Palm Mill	40,955	3 to 19	42,771	2 to 18
	Balingian Estate 2	1999	Leasehold 60 years	2059	2298	Oil Palm Estate				
SOP Suai	7 Sengah/Tibus Estate	2003-2004	Leasehold 60 years	2063-2064	1499	Oil Palm Estate				
SOP Suai	8 Lamaus Estate	2003-2004	Leasehold 60 years	2063-2064	3287	Land under Oil Palm Development	68,404	3 to 20	67,186	2 to 19
SOP Suai	9 Suai Estate	2004	Leasehold 60 years	2064	3337	Land under Oil Palm Development				
SOPP Niah	10 Niah Estate	1999	Leasehold 60 years	2059	5000	Oil Palm Estate	51,189	3 to 17	53,735	2 to 16
SOPP Borneo	11 Taniku Estate	2003	Leasehold 60 years	2058	4858	Oil Palm Estate				
SOPP Borneo	12 Sepakau Estate, Belaga	2003	Leasehold 60 years	2059	9030	Oil Palm Estate & Oil Palm Mill	108,311	3 to 21	117,234	2 to 20
SOP Karabungan	13 Karabungan Estate	2005	Leasehold 60 years	2058	2023	Oil Palm Estate	28,789	3 to 12	30,060	2 to 11
SOP Kemena	14 Tatau Estate	2008	Leasehold 99 years	2103	3840	Oil Palm Estate				
SOP Kemena	15 Sebunggan Estate	2006	Leasehold 99 years	2103	1646	Oil Palm Estate	186,060	3 to 10	192,516	2 to 9
SOP Kemena	16 Lavang Estate	2006	Leasehold 99 years	2104	4880	Oil Palm Estate & Oil Palm Mill				
SOP Beluru	17 Timbarap Estate	2007	Leasehold 99 years	2105	12910	Oil Palm Estate & Oil Palm Mill	241,985	3 to 10	191,275	2 to 9
Batu Lintang	18 Batu Lintang, Sri Aman	2008	NCR Native Land 60 years	NA	2326	Land under Oil Palm Development	51,061	3 to 10	52,739	2 to 9



ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

SHARE CAPITAL

Authorised	: 5,000,000,000 Ordinary Shares
Issued and Fully Paid	: 570,869,046 Ordinary Shares
Voting Rights	: One Vote Per Share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	173	4.12	2,690	0.00
100 – 1,000	879	20.94	499,435	0.09
1,001 – 10,000	2,235	53.25	9,096,078	1.59
10,001 – 100,000	758	18.06	22,320,002	3.91
100,001 to less than 5% of issued shares	147	3.50	162,190,699	28.41
5% and above of issued shares	5	0.12	376,760,142	66.00
TOTAL	4,197	100.00	570,869,046	100.00

SUBSTANTIAL SHAREHOLDERS

	No. of Shares Held	% of Issued Capital
1. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	162,787,900	28.51
2. PELITA HOLDINGS SDN BHD	115,626,600	20.25
3. CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	53,376,642	9.35
4. STATE FINANCIAL SECRETARY SARAWAK	44,969,000	7.88

DIRECTORS' INTERESTS IN SHARES

Size of Holdings	Direct Interest		Deemed Interest	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
In the company				
Tan Sri Datuk Ling Chiong Ho	27,547,600	4.83	12,500,000	2.19
Ling Chiong Sing	-	-	-	-
Ling Lu Kuang	-	-	-	-
Tang Tiong Ing	55,131	0.01	-	-
Hasbi Bin Suhaili	-	-	-	-
Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
Dr. Lai Yew Hock, Dominic	-	-	50,657	0.01
Kamri Bin Ramlee	-	-	-	-
Chua Chen San	-	-	-	-
Dato Sri Ahmad Tarmizi Bin Haji Sulaiman	-	-	-	-
Hasmawati Binti Sapawi	-	-	-	-

THIRTY LARGEST SHAREHOLDERS

AS AT 30 MARCH 2018

	NAME	No. of Shares	Shares %
1	PELITA HOLDINGS SDN BHD	115,626,600	20.25
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD”	103,064,478	18.05
3	SHIN YANG PLANTATION SDN BHD	59,723,422	10.46
4	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	53,376,642	9.35
5	STATE FINANCIAL SECRETARY SARAWAK	44,969,000	7.88
6	LING CHIONG HO	27,547,600	4.83
7	UOBM NOMINEES (ASING) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR PERRA GROUP LIMITED	18,057,085	3.16
8	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SINGAPORE BRANCH (A/C CLIENTS-FGN)	12,572,228	2.20
9	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR LING CHIONG HO	12,500,000	2.19
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	4,483,100	0.79
11	TEOH GUAN KOK & CO. SDN. BERHAD	3,969,588	0.70
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PEKAN MEGAH SDN BHD	3,857,142	0.68
13	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WONG ING YUNG (PB)	3,653,300	0.64
14	PEKAN MEGAH SDN BHD	3,620,034	0.63
15	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED	3,480,000	0.61
16	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	2,897,400	0.51
17	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND	2,853,700	0.50
18	CIMB COMMERCE TRUSTEE BERHAD PUBLIC FOCUS SELECT FUND	2,667,414	0.47
19	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIONG HOLDINGS SDN. BHD.	2,438,800	0.43
20	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,414,636	0.42
21	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	2,313,257	0.41
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (I-VCAP)	2,268,400	0.40
23	WONG HEE KWONG	2,245,600	0.39
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON (6000006)	2,000,000	0.35
25	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AMB DIVIDEND TRUST FUND (5428-401)	1,860,900	0.33
26	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,614,000	0.28
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	1,600,000	0.28
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCEBERHAD (PAR-220082)	1,477,900	0.26
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT -HW FLEXI FUND (270519)	1,405,000	0.25
30	ADINAMAJU SDN BHD	1,307,420	0.23

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 50th Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 27 June 2018 at 10.00 am for the following purposes:-

AGENDA

- | | | |
|---|---|-------------------------------|
| 1 | To receive and adopt the annual accounts for the year ended 31 December 2017 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 2017 as recommended by the Directors. | (Resolution 1) |
| 3 | To approve payment of Directors' fees in respect of the financial year ended 31 December 2017. | (Resolution 2) |
| 4 | To approve the payment of Directors' fees for the financial year ending 31 December 2018, 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 2018 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) Ling Chiong Sing | (Resolution 5) |
| | (b) Dr. Lai Yew Hock, Dominic | (Resolution 6) |
| | (c) Fong Yoo Kaw @ Fong Yee Kow, Victor | (Resolution 7) |
| | (d) Dato Sri Ahmad Tarmizi Bin Haji Sulaiman | (Resolution 8) |
| 7 | To appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the Board of Directors to fix their remuneration. | (Resolution 9) |
| 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 10) |
| | (ii) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature | (Resolution 11) |
| | "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 2018 ("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 tax exempt dividend of 6 sen per ordinary share for the financial year ended 31 December 2017 will be payable on 20 July 2018 to Depositors registered in the Records of Depositors at the close of business on 29 June 2018.

Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares deposited into Depositor's Securities Account before 12:30pm on 27 June 2018. (In respect of shares which are exempted from mandatory deposit)
- (b) Shares transferred into the Depositor's Securities Account before 4:00pm on 29 June 2018 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 2018

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of its attorney.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. The Form of Proxy must be deposited to either of the following offices not less than forty-eight (48) hours before the time appointed for holding the meeting:
 - (i) The Office of the Share Registrars, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia.
 - (ii) The Registered office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. 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. 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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. Explanatory notes on Special Businesses:

Resolution No. 10 - 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 eighteen years and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:

- (a) He fulfils the criteria stated under the definition of Independent Director as defined in the Listing Requirements of Bursa Malaysia Securities Berhad and he is able to provide proper checks and balance thus bring an element of objectivity to the Board of Directors.
- (b) He has always actively participated in Board and Board Committees discussions and has continuously provided an independent view to the Board.
- (c) He has the caliber, qualifications, experience and personal qualities to consistently challenge management in an effective and constructive manner.
- (d) Profile of the Director appears on page 10 of the Annual Report.

Resolution No. 11 - 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 2018 for more information.

8. Depositors who appear in the Record of Depositors as at 20 June 2018 shall be regarded as member of the Company entitled to attend the Fiftieth 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 FIFTIETH ANNUAL GENERAL MEETING OF SARAWAK OIL PALMS BERHAD

1. Directors who are standing for Re-election

(a) Ling Chiong Sing	(Resolution 5)
(b) Dr. Lai Yew Hock, Dominic	(Resolution 6)
(c) Fong Yoo Kaw @ Fong Yee Kow, Victor	(Resolution 7)
(d) Dato Sri Ahmad Tarmizi Bin Haji Sulaiman	(Resolution 8)

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 10)
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Profile of the Director appears on page 10 of this Annual Report.

3. Details of Attendance of Directors of Board Meetings

Name of Directors	Date of Appointment	Board Attendance
Tan Sri Datuk Ling Chiong Ho	16/06/1995	5/5
Ling Chiong Sing	01/12/2006	5/5
Ling Lu Kuang	27/06/2008	5/5
Tang Tiong Ing	16/06/1995	5/5
Hasbi Bin Suhaili	26/08/2005	4/5
Dr Lai Yew Hock, Dominic	24/02/2000	3/5
Kamri Bin Ramlee	01/04/2011	5/5
Fong Yoo Kaw @ Fong Yee Kow, Victor	28/04/2014	5/5
Chua Chen San	01/03/2016	5/5
Gerald Rentap Jabu	24/05/2000 <i>(Resigned on 14 February 2017)</i>	0/5
Dato Sri Ahmad Tarmizi Bin Haji Sulaiman Hasmawati Binti Sapawi <i>(Alternate Director for Dato Sri Ahmad Tarmizi Bin Haji Sulaiman, appointed on 27/11/2017)</i>	10/08/2017	1/2

Number of meetings attended (first figure) number of meetings held while in office (second figure)

4. Details of the Board of Directors' Meeting held

Five Board Meetings were held during the year.

Board Meeting	Time	Place
24 February 2017	9.00 a.m	Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak
25 April 2017	2.30 p.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
29 May 2017	10.30 a.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
25 August 2017	10.00 a.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
29 November 2017	10.00 a.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak

5. Details of persons who are standing for election as Directors

No individual is seeking election as Director at the Fiftieth Annual General Meeting of the Company.

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Form of Proxy

SARAWAK OIL PALMS BERHAD
(Company No.7949-M)
(Incorporated in Malaysia)

No of ordinary shares held	CDS Account No.

I/We _____ NRIC/Company No _____

of _____

being a member/members of the above Company, hereby appoint *Chairman of the meeting or

Name of Proxy	NRIC/Passport No.	Proportion of Shareholdings (%)
and/or failing him/her		

as *my/our proxy to vote for* me/us and on* my/our behalf at the Fiftieth Annual General Meeting of the Company to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 27 June 2018 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 2017		
3	Approval of Directors' fees for financial year ending 31 December 2018 payable on quarterly in arrears		
4	Approval of Directors' Benefits for the period from 1 January 2018 until the conclusion of the next Annual General Meeting		
5	Re-election of retiring director: Ling Chiong Sing		
6	Re-election of retiring director: Dr. Lai Yew Hock, Dominic		
7	Re-election of retiring director: Fong Yoo Kaw @ Fong Yee Kow, Victor		
8	Re-election of retiring director: Dato Sri Ahmad Tarmizi Bin Haji Sulaiman		
9	Appointment of Auditors		
SPECIAL BUSINESSES			
10	Continuation of terms in office of Dr. Lai Yew Hock, Dominic as Independent Non-Executive Director		
11	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue of trading nature		

(Please indicate with an "X" in the space provided above on how you wish your proxy to vote. If no instruction is given this form will be taken to authorise the proxy to vote at his/her discretion)

Dated thisday of 2018

.....
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, Symphony Share Registrars Sdn. Bhd. At Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46 47301 Petaling Jaya, Selangor.
 - b) The Registered Office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. 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 2018 shall be regarded as member of the Company entitled to attend the Fiftieth 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,
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