



SARAWAK OIL PALMS BERHAD (7949-M)

2015
ANNUAL
REPORT



BUILDING A SUSTAINABLE FUTURE



To become a diversified corporation with regional recognition






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Group Highlights



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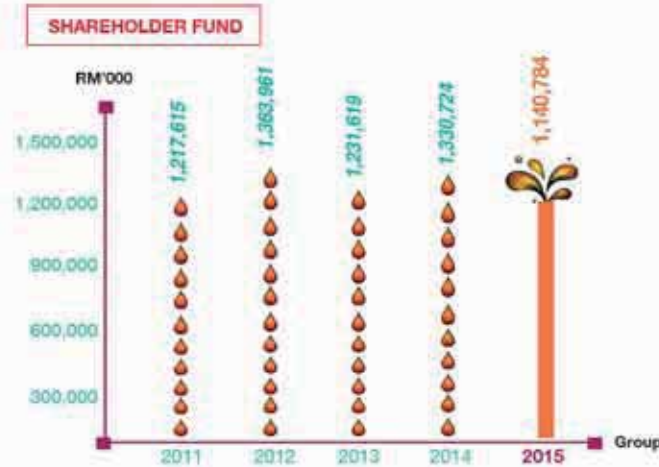
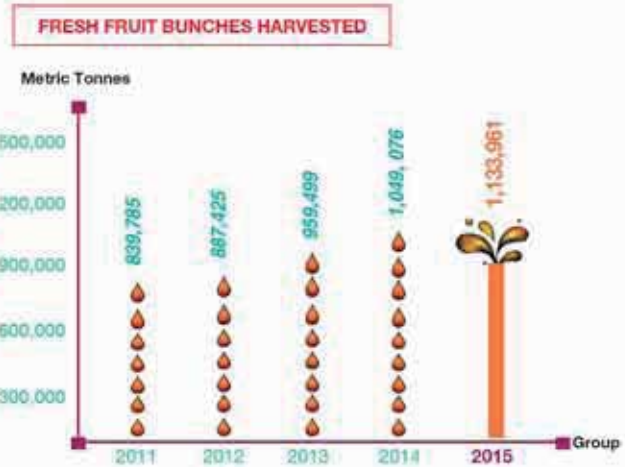
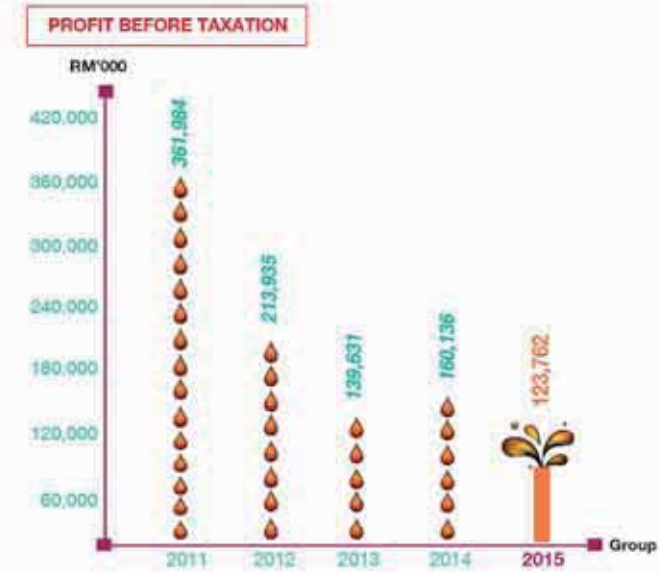
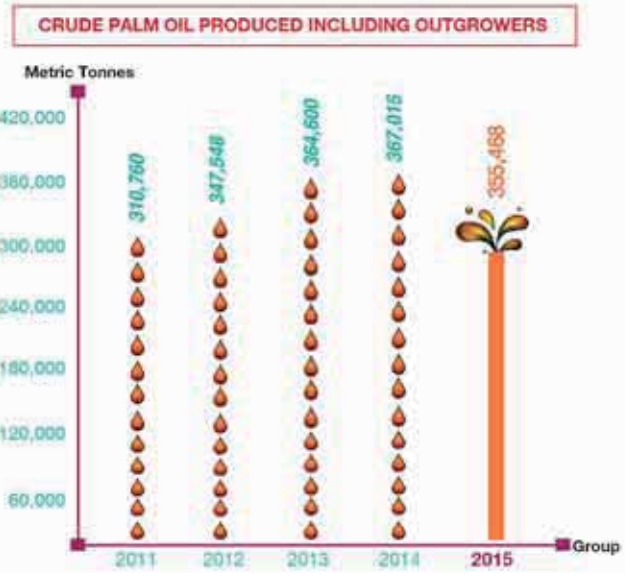
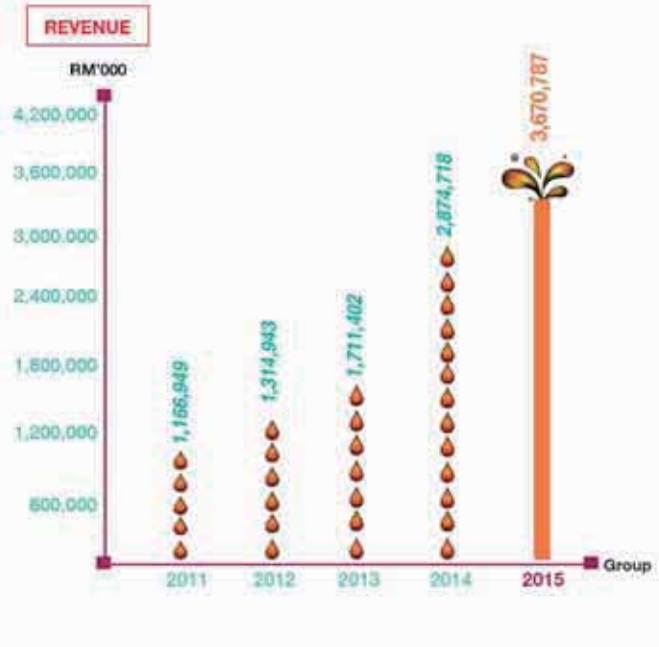
FIVE YEARS FINANCIAL RECORD

	2011 RM '000	2012 RM '000	Group 2013 RM '000	2014 RM '000	2015 RM '000
RESULTS					
Turnover	1,166,949	1,314,943	1,711,402	2,874,718	3,670,787
Profit before taxation	361,984	213,935	139,631	160,136	123,762
Profit after taxation	266,202	163,602	100,636	123,399	91,903
Total Shareholders' Fund	1,217,615	1,363,961	1,231,619	1,330,724	1,403,784
Total assets	2,049,715	2,480,635	2,467,148	2,719,927	3,030,413
Total borrowing	418,783	644,554	825,636	931,424	1,101,849
Issued & paid -up capital	434,477	436,548	438,253	439,498	441,307
Dividend (Net of tax)	13,005	16,360	19,693	21,963	21,997
FINANCIAL STATISTICS					
Profit before taxation / turnover (%)	31.0	16.3	8.2	5.6	3.4
Gross Dividend (sen / share)	5.0	6.0	6.0	5.0	5.0
Net Earnings per share of RM 1 each (sen) – Basic	55.9	36.0	21.0	26.3	20.1
Net Earnings per share of RM 1 each (sen) – Diluted	54.7	35.5	20.7	26.0	20.0
Net tangible assets per share of RM 1 each (RM)	2.80	3.12	2.80	3.03	3.17

FIVE YEARS CROP RECORD

PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES					
	2011 Ha	2012 Ha	2013 Ha	2014 Ha	2015 Ha
OIL PALMS					
Mature	43,339	45,107	55,426	59,997	61,049
Immature	19,416	18,154	8,104	3,380	2,468
Total	62,755	63,261	63,530	63,377	63,517
Reserves, Unplanted, Building sites, etc	9,898	9,392	9,123	9,276	9,136
Total Area Under Lease	72,653	72,653	72,653	72,653	72,653
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
FFB CROP					
Estate Crop	839,785	887,425	959,499	1,049,076	1,133,961
Outside Crop	665,514	798,106	853,066	770,991	692,580
	1,505,299	1,685,531	1,812,565	1,820,067	1,826,541
Crude Palm Oil (Produced)	310,760	347,548	364,600	367,015	355,468
Palm Kernels (Produced)	63,834	73,871	78,712	79,606	76,406
YIELD PER HECTARE					
Tonnes FFB / Mature palms	21.25	18.21	17.09	17.50	18.55
Crude Palm Oil / FFB	21.57%	20.67%	20.14%	20.26%	19.88%
Palm Kernels / FFB	4.37%	4.39%	4.35%	4.39%	4.27%
AVERAGE SELLING PRICES					
Refined palm products (RM/mt FOB Basis)	-	2,702	2,410	2,510	2,126
Crude Palm Oil (RM/mt delivered basis)	3,232	2,788	2,278	2,370	2,207
Palm Kernel Oil (RM/mt FOB Basis)	-	2,306	2,555	3,387	3,322
Palm Kernel Cake (RM/mt FOB Basis)	-	512	473	495	331
Palm Kernels (RM/mt delivered basis)	2,177	1,464	1,310	1,503	1,473

FIVE YEARS STATISTICAL HIGHLIGHTS



CORPORATE INFORMATION

Tan Sri Datuk Ling Chiong Ho
(Group Executive Chairman)

Ling Chiong Sing

Ling Lu Kuang

Tang Tiong Ing

Hasbi Bin Suhaili

Gerald Rentap Jabu

Dr. Lai Yew Hock, Dominic

Kamri Bin Ramlee

Fong Yoo Kaw @ Fong Yee Kow, Victor

Chua Chen San

(Appointed on 1 March 2016)

Wong Ngie Yong

(Resigned on 29 February 2016)

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE

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

Tang Tiong Ing
Non-Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

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

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

NOMINATION COMMITTEE

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

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Tang Tiong Ing
Non-Independent Non-Executive

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

REMUNERATION COMMITTEE

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

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Hasbi Bin Suhaili
Non-Independent Non-Executive

GROUP CHIEF EXECUTIVE OFFICER

Wong Hee Kwong

COMPANY SECRETARY

Eric Kiu Kwong Seng

REGISTERED OFFICE

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

SHARE REGISTRARS

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

AUDITORS

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

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
Hong Leong Bank Berhad
AmBank (M) Berhad
Affin Bank Berhad
Public Bank Berhad
CIMB Bank Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
Export-Import Bank of Malaysia Berhad
Agrobank Malaysia

STOCK EXCHANGE LISTING

The Main Board
Bursa Malaysia

STOCK NAME

SOP

STOCK CODE

5126

DOMICILE

MALAYSIA

PROFILE OF BOARD OF DIRECTORS



Lambir Mill

TAN SRI DATUK LING CHIONG HO

A Malaysian citizen, aged 64, was appointed as Director on 16 June 1995. In 1999, he was appointed as the Group Non-Executive Chairman and was subsequently redesignated as Group Executive Chairman in 2003. He is also the Chairman of the Group Management Committee. In addition to being the current Deputy Chairman of Sarawak Timber Association, he also serves as Chairman/Deputy Chairman of several school boards and charitable organizations in Sarawak.

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

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

LING CHIONG SING

A Malaysian citizen, aged 59, was appointed as Non-Independent Non-Executive Director on 1 December 2006.

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

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

PROFILE OF BOARD OF DIRECTORS (CONT'D)

LING LU KUANG

A Malaysian citizen, aged 39, was appointed as a Non-Independent Non-Executive Director on 27 June 2008. He is also the Vice Chairman of the Group Management Committee. He graduated from the University of Auckland with Bachelor of Commerce degree double majoring in management and operation management. Currently he is the Executive Director of several companies of Shin Yang Group which has diversified interests including domestic and international shipping, shipbuilding, property development, infrastructure projects, oil palm, public transports, hypermarket and hotel business.

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

TANG TIONG ING

A Malaysian citizen, aged 57, has been a Non-Independent Non-Executive Director since 16 June 1995. He serves as a member of the Audit and Risk Management Committee and Nomination Committee. He graduated from University of Malaya with Bachelor in Accounting with Honours. He is a Chartered Accountant (Malaysia) and is a member of several professional bodies including the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Fellow Certified Practising Accountants of Australia and Malaysian Association of Company Secretaries.

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

HASBI BIN SUHALI

A Malaysian citizen, aged 52, was appointed as a Non-Independent Non-Executive Director on 26 August 2005. He also serves as a member of Remuneration Committee. He holds a Bachelor of Accountancy and also an Executive Master in Business Administration from MARA University of Technology, Malaysia. He is also a Chartered Accountant (Malaysia) and a member of the Malaysian Institute of Accountants and Certified Enterprise Risk Manager. He is currently the Deputy Chief Executive Officer (Property) of Pelita Holdings Sdn. Bhd. (PHSB). Prior to this, he has worked as a Manager (Finance / Human Resource) in a transportation company and as an executive in financial institution for the past 20 years. He is an appointed representative of Pelita Holdings Sdn. Bhd. (PHSB), a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.



PROFILE OF BOARD OF DIRECTORS (CONT'D)



Tank Farm

GERALD RENTAP JABU

A Malaysian citizen, aged 46, 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.

DR. LAI YEW HOCK, DOMINIC

A Malaysian citizen, aged 57, was appointed as an Independent Non-Executive Director on 24 February 2000. He serves as a member of the Audit and Risk Management, Nomination and Remuneration Committees. He graduated from the University of Otago, Dunedin, New Zealand with a Bachelor of Laws degree in 1985. He was variously admitted as a Barrister and Solicitor of the High Court of New Zealand in October 1985, as an Advocate of the High Court in Sabah and Sarawak in February 1986, and as an Advocate and Solicitor of the High Court of Malaya in October 1986. He graduated from the University of South Australia, Adelaide, Australia with the degree of Doctor of Business Administration in December 2006. His doctoral thesis is on Corporate Governance. He is also a Commissioner for Oaths, a Notary Public and an Accredited Mediator. He started his own legal firm in Miri, Sarawak in May 1992. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

WONG NGIE YONG

(Resigned on 29 February 2016)

A Malaysian citizen, aged 64, was appointed as an Independent Non-Executive Director on 15 June 2001. Presently, he serves as a member of the Audit and Risk Management Committee and Nomination Committee. He holds a diploma in Mechanical Engineering from Technical College, Kuala Lumpur in 1972 and is a member of the Institute of Motor Industry, UK. He has over 30 years of experience in palm oil industry and engineering field, holding various positions as Mill Manager, Engineering Controller, Chief Engineer and Project Manager. He is currently a free-lance Consultant and Director of Utama Parts Trading (Sarawak) Sdn. Bhd. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

KAMRI BIN RAMLEE

A Malaysia citizen, aged 56, 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.

PROFILE OF BOARD OF DIRECTORS (CONT'D)

FONG YOO KAW @ FONG YEE KOW, VICTOR

A Malaysian citizen, aged 63, was appointed as an Independent Non-Executive Director on 28 April 2014. He serves as a Chairman of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

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

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

CHUA CHEN SAN

(Appointed on 1 March 2016)

A Malaysian citizen, aged 55, was appointed as an Independent Non-Executive Director on 1 March 2016. He serves as a member of the Audit and Risk Management Committee. He graduated with a Bachelor of Commerce degree from the University of Canterbury, New Zealand in 1986. He is a Chartered Accountant (Malaysia) and is a member of the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Institute of Chartered Accountants of New Zealand.

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



Gate entrance view with refinery building at the background



PROFILE OF GROUP CHIEF EXECUTIVE OFFICER

WONG HEE KWONG

A Malaysian citizen, aged 54, 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) and is a member of the Malaysian Institute of Accountants and Fellow member of Chartered Association of Certified Accountants (FCCA). 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 experience covers accounting, secretarial, management consultancy, taxation and banking and finance. 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 1,617,000 shares and 217,600 options respectively.

SENIOR MANAGEMENT TEAM

Group Executive Chairman TAN SRI DATUK LING CHIONG HO

CORPORATE

Group Chief Executive Officer
WONG HEE KWONG

Chief Operating Officer/Company Secretary
ERIC KIU KWONG SENG

PLANTATION

Group Plantation Controller
CHUA KIAN HONG

Plantation Controller
TAY CHING

Plantation Controller
KO UNG HU

Plantation Controller
ONG CHENG ENG

Plantation Controller
PANG SENG NAM

Plantation Controller
SELVARAJAH A/L LURDUSAMY

SUSTAINABILITY

Head of Sustainability
GALAU MELAYONG

FINANCE

Group Financial Controller
WONG SIONG WUNG

DOWNSTREAM

Head of Downstream
ERIC KIU KWONG SENG

Controller Operation
IR. KIU KWONG CHIANG

MILLING

Controller Milling
THONG KUOK LING

WORKSHOP & TRANSPORTATION

General Manager
FONG CHEE LUON



Taking measurement for the carbon stock assessment in conservation area







Business Review



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CHAIRMAN'S STATEMENT



Water management

“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 2015.”

REVIEW OF RESULT

For the year 2015 the Group registered a lower profit after tax of RM91.9 million against RM123.4 million in year 2014, representing a drop of 26%. The lower profit was mainly attributed to lower palm oil products prices despite increase in the Group’s fresh fruit bunches (“FFB”) production. The weighted average realized price for palm oil products in 2015 was RM2,148 per metric tonne compared to RM2,441 in year 2014, representing a reduction of 12%. Henceforth, basic earnings per share also dropped from 26.3 cents per share in 2014 to 20.1 cents in year 2015.

DIVIDEND

The Group has continued its dividend policy by retaining large part of its available fund to cater for future capital expenditure. This is imperative in keeping the growth momentum of the Group over the medium to longer term while the Group continues to search for new and sustainable investment opportunities. Moreover, the maintenance of sufficient cash flow liquidity would render the Group more resilient towards any adverse economic conditions under the current weak economic outlook.

In connection therewith, the Board of Directors has proposed first and final tax exempt dividend of 5% per ordinary share amounting to RM22,065,335 for the Financial Year ended 31 December 2015.

CHAIRMAN'S STATEMENT

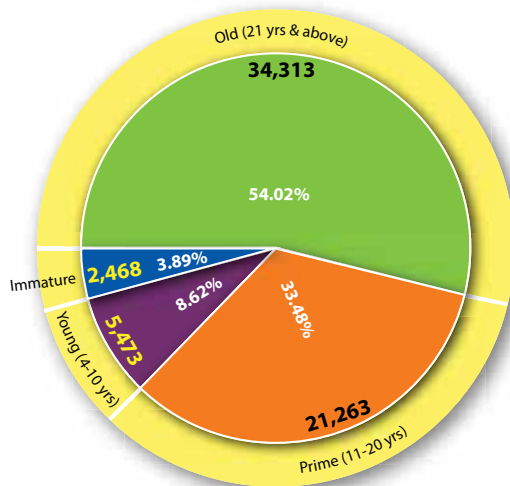
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REVIEW OF OPERATIONS

FFB production of the Group increased from 1.05 million metric tonnes to 1.13 million metric tonnes in 2015, representing a growth of 8% against last financial year. Yield per hectare also improved from 17.50 metric tonnes per hectare to 18.55 metric tonnes per hectare due principally to higher proportion of planted palms attaining its prime age. As majority of the planted hectares fall within the young palm category, the Group expects increase in FFB production for the coming years as more palms will attain their prime age. The palm age profile for the Group as of 31 December 2015 was as follows;

AGE PROFILE FOR OIL PALMS AS AT 31ST DECEMBER 2015

Palm Age (Yrs)	Area (Ha)	Percentage
Immature	2,468	3.89%
Young (4-10 yrs)	34,313	54.02%
Prime (11-20 yrs)	21,263	33.48%
Old (21 yrs & above)	5,473	8.62%
Total :	63,517	100.00%



On milling operation, the Group's oil extraction rate of 19.88% achieved in year 2015 was marginally lower than 20.26% achieved in 2014. Nevertheless, the average oil per hectare has improved from 3.55 metric tonnes to 3.69 metric tonnes as a result of higher FFB production. Going forward, the average oil per hectare would improve in line with the expected FFB growth.

On the downstream segment, the group has completed its Palm Kernel Crushing Plant production line expansion with additional production capacity of 300 metric tonnes per day, making total production capacity of 800 metric tonnes per day. Construction of Phytinutrient Plant with installed capacity of 15 metric tonnes per day located at Bintulu is still in progress and scheduled to commence its operation by second quarter of 2016.

For property development segment, the group has continued with launching of new phases over its first housing project in Miri since end of 2014. Contribution from property segment nevertheless is still insignificant during the initial stage.

HUMAN CAPITAL MANAGEMENT

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

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

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

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

SUSTAINABILITY

As a responsible corporate citizen, the Group strives to have a balanced approach towards people, planet and profit in achieving the corporate visions. The Group is fully committed to adopt the Malaysian Sustainable Palm Oil standards as its primary sustainability standard. In additions, substantial part of the Group's mills and estates are certified under International Sustainability and Carbon Certification. The commitment towards sustainability approach is imperative to ensure its growth momentum continues without having adverse environmental impact.

PROSPECT

The current economy outlook has not improved since 2014. The slowdown of the world economy growth rate, crash of crude oil prices, fluctuating palm products prices coupled with the escalating operating costs have posted a great challenge to current business environment. Therefore, the Group has taken series of steps to weather through this challenging period which involved consolidation of all its available resources for optimal utilization and prudent in capital investment to ensure the Group stays resilient under adverse economy conditions.

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

KENYATAAN PENERUSI



“Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan Kumpulan Sarawak Oil Palms Berhad (“Kumpulan”) bagi tahun kewangan berakhir 31 Disember 2015.”

ULASAN KEPUTUSAN

Bagi tahun 2015 Kumpulan telah mencatatkan keuntungan bersih yang lebih rendah selepas cukai sebanyak RM91.9 juta berbanding RM123.4 juta pada tahun 2014, yang menunjukkan penurunan sebanyak 26%. Keuntungan bersih yang lebih rendah disebabkan oleh kelembapan harga produk-produk minyak kelapa sawit walaupun terdapat peningkatan pengeluaran tandan buah segar (“FFB”) Kumpulan. Harga jualan purata bagi produk-produk minyak sawit pada tahun 2015 adalah RM2,148 metrik setan berbanding dengan RM2,441 pada tahun 2014, mewakili penurunan sebanyak 12%. Justeru, pendapatan bersih sesaham Kumpulan menurun daripada 26.3 sen pada tahun 2014 kepada 20.1 sen pada tahun 2015.

DIVIDEN

Kumpulan telah meneruskan dasar dividen dengan mengekalkan sebahagian besar daripada dana sedia ada bagi menampung perbelanjaan modal masa hadapan. Ini adalah penting untuk mengekalkan momentum pertumbuhan Kumpulan dalam jangka masa sederhana hingga panjang sambil Kumpulan meninjau peluang-peluang baru yang mampan. Selain itu, penyelenggaraan kecairan aliran tunai yang mencukupi bakal menjadikan Kumpulan lebih berdaya tahan terhadap mana-mana keadaan ekonomi yang buruk di bawah keadaan ekonomi semasa yang tidak memberansangkan.

Berkaitan dengan itu, pihak Lembaga Pengarah telah mencadangkan yang pertama dan terakhir pengecualian cukai dividen 5% sesaham biasa berjumlah RM22,065,335 bagi tahun kewangan berakhir 31 Disember 2015.

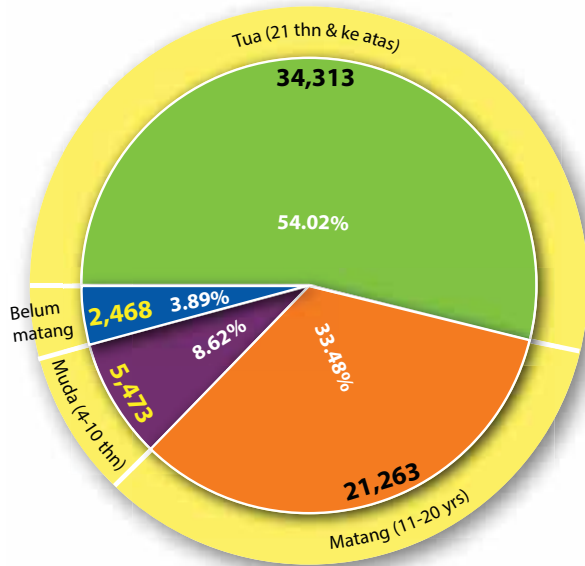
ULASAN OPERASI

Pengeluaran FFB Kumpulan meningkat daripada 1.05 juta metrik tan kepada 1.13 juta metrik tan pada tahun 2015, mewakili peningkatan sebanyak 8% berbanding tahun kewangan sebelumnya. Hasil sehektar juga bertambah baik daripada 17.50 metrik tan sehektar kepada 18.55 metrik tan sehektar hasil nisbah yang tinggi bagi kelapa sawit yang mencapai usia matang. Disebabkan majoriti hektar kawasan yang ditanam di bawah kategori sawit muda, Kumpulan menjangkakan peningkatan dalam FFB untuk tahun-tahun akan datang apabila lebih banyak kelapa sawit mencapai usia kematangan. Profil usia kelapa sawit Kumpulan pada 31 Disember 2015 adalah seperti berikut;

PROFIL USIA KELAPA SAWIT SETAKAT 31 DISEMBER 2015

Usia Sawit (tahun)	Kawasan (Ha)	Peratus
Belum matang	2,468	3.89%
Muda (4-10 thn)	34,313	54.02%
Matang (11 -20 thn)	21,263	33.48%
Tua (21 thn & ke atas)	5,473	8.62%
Jumlah :	63,517	100.00%

KENYATAAN PENERUSI (SAMBUNGAN)



Berkaitan operasi kilang minyak sawit, kadar perahan minyak Kumpulan daripada 19.88% pada tahun 2015 adalah lebih rendah sedikit daripada 20.26% seperti yang dicapai pada tahun 2014. Walau bagaimanapun, purata minyak sehektar telah meningkat daripada 3.55 metrik tan kepada 3.69 metrik tan hasil daripada pengeluaran FFB yang lebih tinggi. Melangkah ke hadapan, hasil purata minyak sehektar perlu dipertingkatkan sejajar dengan pertumbuhan FFB seperti yang diharapkan.

Pada segmen hiliran, Kumpulan telah selesai meningkatkan saluran produksi Loji Pemecahan Isirong dengan kapasiti pengeluaran tambahan sebanyak 300 metrik tan sehari, menjadikan jumlah kapasiti pengeluaran sebanyak 800 metrik tan sehari. Pembinaan kilang Fitonutrien dengan kapasiti 15 metrik tan sehari yang terletak di Bintulu masih dalam pembinaan dan dijadual memulakan operasinya pada suku kedua 2016.

Untuk segmen pembangunan hartanah, Kumpulan telah meneruskan pelancaran fasa baru ke atas projek perumahan yang pertama di Miri sejak penghujung tahun 2014. Sumbangan daripada segmen hartanah walaubagaimanapun masih belum ketara diperingkat awal.

PENGURUSAN SUMBER MANUSIA

Sebagai salah sebuah peneraju Kumpulan perladangan, pihak Kumpulan menyelaraskan teras utama pengurusan modal insan (PMI) ke arah mengoptimalkan pengurusan tenaga kerja yang cekap melalui penggalakkan potensi pekerja.

Amalan PMI memberi tumpuan kepada amalan kepimpinan, penglibatan pekerja, akses pengetahuan, pengoptimuman tenaga kerja dan keupayaan pembelajaran untuk meningkatkan kecekapan pekerja dalam menggerakkan organisasi ke arah pencapaian wawasan dan objektif korporat.

Amalan PMI dalam Kumpulan diperolehi melalui kursus dalaman dan luaran, bimbingan, pemerhatian dan kaunseling. Untuk menggalakkan keupayaan pembelajaran maksimum, Akademi SOPB telah ditubuhkan bagi mentadbir dan menyokong aktiviti-aktiviti PMI dalam memastikan amalan PMI dijalankan dengan berkesan.

Untuk memupuk amalan PMI yang cekap dan berkesan, Kumpulan sentiasa menaik taraf dan memperbaiki infrastruktur dan kemudahan yang diperlukan, termasuk kemudahan perumahan untuk memupuk dan menggalakkan pembelajaran, persekitaran kerja dan hidup yang lebih baik untuk kesemua pekerja merentasi keseluruhan Kumpulan.

PENGUSAHAAN MINYAK SAWIT YANG LESTARI

Sebagai Kumpulan korporat yang bertanggungjawab, Kumpulan sentiasa berusaha untuk mempraktikkan pendekatan keseimbangan terhadap manusia, planet dan keuntungan dalam mencapai visi korporat. Kumpulan amat komited dalam mengguna pakai piawaian "Malaysia Sustainable Palm Oil" kerana ia adalah standard kemampanan utama. Tambahan lagi, sebahagian besar daripada kilang dan ladang Kumpulan adalah diperakui di bawah "International Sustainability and Carbon Certification" ("ISCC"). Komitmen ke arah pendekatan kemampanan adalah penting untuk memastikan momentum pertumbuhan berterusan tanpa mengakibatkan kesan buruk kepada alam sekitar.

PROSPEK

Keadaan ekonomi semasa kurang memberansangkan sejak 2014 berikutan dengan peningkatan ketidakpastian. Kelembapan kadar pertumbuhan ekonomi dunia, kejatuhan harga minyak mentah, turun naik harga produk-produk sawit, ketidaktentuan politik ditambah pula dengan kos operasi yang semakin meningkat telah mengakibatkan cabaran yang besar kepada persekitaran semasa perniagaan. Oleh itu, Kumpulan telah mengambil beberapa langkah utuh untuk mengharungi tempoh yang mencabar ini dengan melibatkan pengukuhan kesemua sumber yang ada untuk penggunaan optimum serta lebih berhemah dalam pelaburan modal untuk memastikan Kumpulan kekal berdaya tahan dalam keadaan ekonomi yang sukar.

PENGHARGAAN

Mewakili pihak Lembaga Pengarah, saya sekali lagi ingin merakamkan kesyukuran dan penghargaan kepada pekerja kami, para pelanggan, rakan perniagaan dan pemegang saham atas sokongan dan keyakinan berterusan terhadap Kumpulan.

Tan Sri Datuk Ling Chiong Ho
Pengerusi Eksekutif Kumpulan

PHOTO GALLERY



Group Executive Chairman presenting an appreciation gift to resigning Director Mr Henry Wong



COO presenting the best dressed male prize during Annual Dinner



Colouring Contest for children



Property Project Launching



Complimentary ("Merris") 2 kg cooking oil for staff during Annual Dinner



Cooking oil (Merris Tower) during Annual Dinner

PHOTO GALLERY



Excellent Performer of the Year Award Taniku 1



Lighting up the Kuthu Vilakku during Deepavali celebration



Management 'Lao Sang' during Chinese New Year and Deepavali Celebration



Lion dance performance



Lambir Jaya Fiesta New Phase Launching



Inter-Department Badminton Competition

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Sustainability has been continually integrated in the Group's operations since its inception in the 1960's, formerly under Commonwealth Development Corporation. The missions envisaged by our pioneers in the 1960's were, amongst others, commercialisation of oil palm cultivation in Sarawak, provide gainful employment to locals thus ridding of nomadic lifestyle and shifting cultivation, develop local talents for oil palm industry, and spur growth of smallholders in oil palm cultivation.

Today, we continue to carry on the same missions and at the same time be reckoned as practitioner and producer of sustainable palm oil.

"Brundtland Commission" (Brundtland, 1987) stated that, "sustainable development seeks to meet the needs and aspirations of the present generation without compromising the ability to meet the needs of those in the future." Premised upon this, the Group's sustainability stance is about efficient management of present resources to meet future needs, and it encompasses a balanced approach towards three key elements – people, planet and profit (3 Ps).

The Board of Directors of the Group is fully committed to a good corporate governance aimed at creating / protecting shareholders' value and at the same time promote sustainability.

Towards this end, the Group has established and formalized its Environmental Policy, Social and Community Policy, Sustainability Policy, and Occupational, Safety and Health Policy. A Sustainability Department chaired by Group CEO with its members comprise of Head of Sustainability and Head of respective Business Units has been formed to oversee, evaluate adequacy, verify compliances and report issues and milestones related to sustainability. The Group also regularly has dialogue with stakeholders including investors, non-governmental organisations, suppliers, customers, and employees on sustainability updates and practices across the Group.



SUSTAINABILITY CERTIFICATION

The Group advocates sustainable oil palm cultivation and has embarked on sustainability certification under:-

International Sustainability and Carbon Certification – "ISCC"

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

To date, the Group's Refinery, Biodiesel plant, Palm Oil Mills, and 70% of its oil palm plantation estates have been certified under ISCC.

Malaysian Sustainable Palms Oil Certification– "MSPO"

MSPO is Malaysia's national sustainability certification scheme which aims to promote sustainable management in palm oil industry. Elements covered and assessed under MSPO include transparency, legal and regulatory compliance, best production practices, environmental responsibility, commitments to local community development, human rights, and land rights.

To date, two(2) of the Group's palm oil mills and all Group's plantation estates that supply fresh fruit bunches to these 2 mills, which represent about 40% of the Group total plantation estates have been certified under MSPO. It is in the Group's plan to have all of its palm oil mills, the balance of its estates and downstream operations including refinery, kernel crushing plants and biodiesel plant be certified under MSPO before end of year 2017.

Traceability

The Group is committed to trace the sources of its palm products which are traced up to the originating palm oil mills. Nevertheless palm products supplied from third party suppliers could be very onerous to trace due to inherent complexities along the supply chain which include small growers and smallholders. The Group has taken steps to understand the practices of its third party suppliers and will continue to engage with them to enhance its traceability mechanism.

To further improve transparency towards traceable palm products, the GPS coordinates for the Group's palm oil mills, estates, refinery and kernel crushing plants would be made available by 3rd quarter 2016 on its websites.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

ENVIRONMENT

The Group practises a comprehensive Sustainability Management System (SMS) encompassing Good Agricultural Practices and Good Manufacturing Practices. Manuals for Good Agricultural and Good Manufacturing Practices, and Manuals for Sustainability were established for operational compliance at plantation, milling and downstream operations.

In addition, there are certain areas within plantation estates which are set aside for conservation.



A pitcher plant found in a Conservation Area within the Group



A migratory bird found at the Riparian reserves within the Group

OCCUPATIONAL SAFETY AND HEALTH

The Group is committed to Occupational Safety & Health (OSHA) at work place so as to provide a safe and healthy environment for its employees throughout its entire business operations. Towards this, the Group has established Occupational, Safety and Health Policy, a Group Safety and Health Department and OSHA sub-committees at every estate, mill and downstream operations.

The Group's Safety and Health Department plays the roles of implementing safety and health policies and practices across the Group through structured trainings, monitoring and regular meeting with estates and mills.

It also acts as a liaison between the Group and statutory regulatory authorities on updates of rules and regulations pertaining to occupational health and safety.



Safety & Health Committee Meeting with DOSH Representative

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

CORPORATE SOCIAL RESPONSIBILITY

The Group's corporate social responsibility ("CSR") focuses on continual care and commitment towards well-beings of its employees, and local communities in the vicinities of its operational areas. Majority of plantation operation are located in rural areas, and continued effort is being put in for poverty alleviation and uplift of educational standards of local communities' younger generation.

Over the years, the Group demonstrates its firm commitments towards CSR as follows:-

1. LOCAL COMMUNITIES

EDUCATIONAL OUTREACH PROGRAMME

The Group provided educational teaching materials to local communities situated in remote regions to educate and promote reading culture among the young children concerned.

COMMUNITY HEALTH & SERVICES

Vision Care Program reaches out to the local communities in the vicinity of the Group's plantation estates in collaboration with various agencies. Local communities receive free eye check-ups. Spectacles and eye surgeries are fully sponsored by the Group for the needy ones.

The Group, together with the participation of native customary rights ("NCR") landowners has also embarked on development into oil palm plantation on NCR lands and has elevated the living standards of NCR participants.

The Group's CSR program also extended to the establishment of a Disaster Unit which rushes relief aids to local communities which had suffered losses occasioned by nature disasters.

Young Achievers' Award ("YAA")

The YAA is awarded annually to deserving primary and secondary school students from rural schools in the vicinity of the Group plantation estates.

Student Adoption Program ("SAP")

The SAP was set up to help meet the educational needs of underprivileged children in the form of financial assistance such as cash incentives and stationery sets.

2. EMPLOYEES

The Group aims to be recognized as employer of choice, henceforth hires, educates and trains its employees for career excellence in a healthy, safe and honest working environment.

Employees' Excellent Educational Award

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

Sports Events, Games, and Outings

Sports event, games, outings are organized to foster cordial relationships among peers and family members. These activities keep employees satisfied, bonded and re-energized outside their office hour.



SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CONT'D)



Contribution to Sarawak Children's Cancer Society



SOP staff joined the Sarawak Children's Cancer Society activities



YAA Miri Region

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CONT'D)



SAP Miri Region



YAA Belaga Region



YAA & SAP Mukah Region



YAA & SAP Marudi Region



YAA & SAP Sebauh Region



YAA & SAP Tatau Region

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

Blood Donation Drive



Vision Care



STATEMENT ON CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

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

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

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

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

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

For the financial year ended 31 December 2015, the Board held five (5) meetings. Directors’ profiles and attendance to these meetings can be found in the profiles of Board of Directors on page 8 to 11 and page 148 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 COMMITTEE

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

The composition and terms of reference of this Committee together with its report are presented on page 36 to 43 of the Annual Report.

Nomination Committee (SC) (Established in 2001)

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

Fong Yoo Kaw @ Fong Yee Kow, Victor	-	Chairman, Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic	-	Independent Non-Executive Director
Tang Tiong Ing	-	Non-Independent Non-Executive Director
Wong Ngie Yong (Resigned on 29 February 2016)	-	Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2015, the Committee held one (1) meeting.

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Remuneration Committee (SC) (Established in 2003)

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

The Committee meets when necessary. For the financial year ended 31 December 2015, the Committee held one (1) meeting.

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 at the expense of the Company.

The aggregate and range of the Directors' remuneration for the Company for the financial year ended 31 December 2015 are as follows: -

Aggregate of remuneration	Directors	
	Executive RM000	Non-Executive RM000
Fees	44	404
Salaries	1,242	-
Bonus	518	-
EPF and other emoluments	193	-
Total	1,997	404

Number Of Directors Range of remuneration	Directors	
	Executive	Non- Executive
0 to RM50,000	-	9
RM1,950,001 to RM2,000,000	1	-

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

TERM OF APPOINTMENT

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

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

SUPPLY OF INFORMATION TO BOARD MEMBERS

Board Meetings are structured with a pre-set agenda. Board papers for the Agenda are circulated to Directors 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.

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

Title of Programmes	Number of Day (s)
2 nd Annual Malaysia Mid-Year Property Conference 2015	2 days
2 nd National GST Conference the Final Preparation	2 days
2 nd Sarawak Business & Investment Summit	1 day
2016 Budget and Tax Conference	1 day
Annual Co-Sec Forum 2015	1 day
Continuing Professional Development Seminar: Companies Bill 2013 & Grey Areas of Secretarial Practice	1 day
GST Awareness Seminar	1 day
IACS – Comtrac Seminar 2015 “Stepping into the World of Directorship”	1 day
MIA Conference 2015	2 days
Palm Oil Economic Review & Outlook Seminar	1 day
Property Developer: A Complete and Critical Review on GST Implementation Issues	1 day
SSM Sarawak Seminar 2015	1 day
SSM National Conference 2015 on Modernizing the Company Act. Creating Synergy in Malaysia Business Landscape	2 days
Workshop - GST Basics: An Overview of GST for Everyone	1 day

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

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

Generally, all resolutions put forth for shareholders' approval at AGM are voted by a show of hands unless a poll is demanded.

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

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

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

FINANCIAL REPORTING

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Statement on Risk Management and Internal Control is set out on page 34 to 35 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 36 to 43 of the Annual Report.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

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

The Group's activities to promote Sustainability and Corporate Sosial Responsibility during the financial year under review are disclosed in Sustainability And Corporate Sosial Responsibility set out on pages 22 to 27 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

WHISTLEBLOWING POLICY

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

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

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

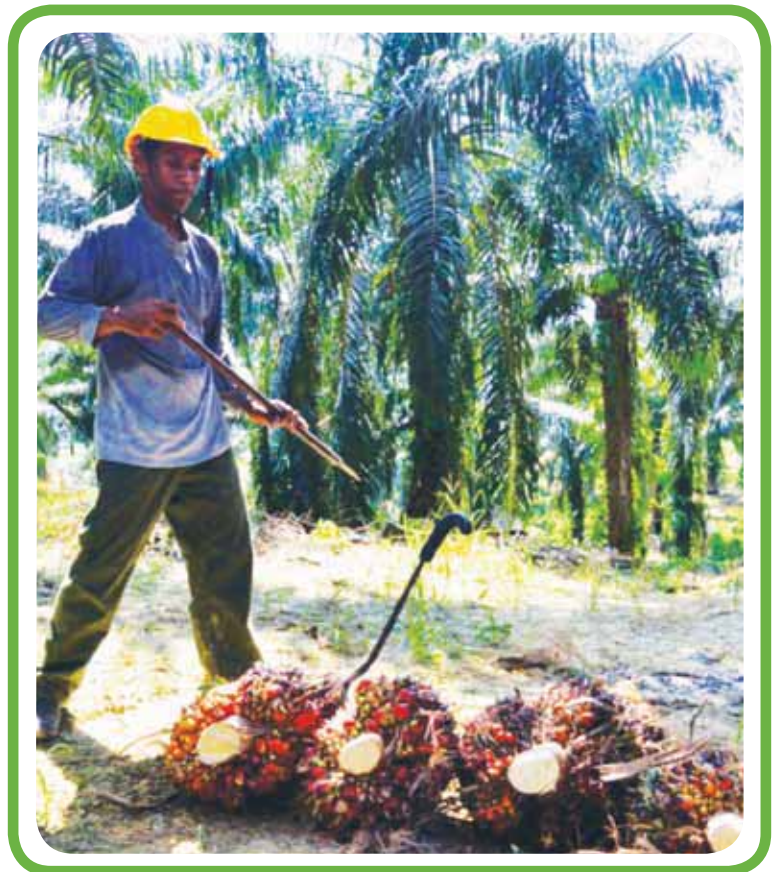
COMPANY SECRETARY

The Company Secretary, Eric Kiu Kwong Seng assumed his role in 1998 and thus has about 17 years' experience in corporate secretarial practice. 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.)

The Board has direct access to the advice and services of Company Secretary who supports the Board in the discharge of its functions. The Company Secretary 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. The Company Secretary supports the Board in managing the Group Governance Model, ensuring it is effective and relevant. The Company Secretary attends all Board Meetings and ensures that the meetings are properly convened and that proceedings and deliberations at the Board and Board Committee are accurately minuted. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees and Senior Management and to update the Board on the follow-up or implementation of its decisions/recommendations by the management.

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

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



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

ANNUAL REVIEW OF DIRECTORS' INDEPENDENCE

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

NON-COMPLIANCE

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

Recommendation 3.2

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

Explanation

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

All Independent Directors have provided an annual confirmation of their independence to the Board based on its policy on criteria of assessing independence in line with the definition of "Independent Directors" prescribed by the Main Market Listing Requirements. Ordinary resolution 6(i) retaining Dr. Dominic Lai Yew Hock as Independent Directors has been proposed for shareholder's approval at the 48th Annual General Meeting of the Company, pursuant to the Recommendation 3.3 of the Code.

Recommendation 3.5

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

Explanation

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

This Statement on Corporate Governance is made in accordance with a resolution of the Board of Directors dated 26 February 2016.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

BOARD RESPONSIBILITY

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

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

KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

Risk Management Framework

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

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

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

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.

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

Performance Management Framework

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

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

Operational Policies and Procedures

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

Group Internal Control

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

STRENGTH IN INTERNAL CONTROL

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

This statement is made in accordance with a resolution of the Board dated 26 February 2016.



GROUP AUDIT AND RISK MANAGEMENT COMMITTEE

The Board is pleased to present the report on the Group Audit and Risk Management Committee (“Committee”) of the Board for the financial year ended 31 December 2015.

MEMBERS REPORT

Chairman

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

Independent Non- Executive Director

Members

Dr Lai Yew Hock, Dominic

Independent Non-Executive Director

Tang Tiong Ing CA(M)

Non-Independent Non-Executive Director

Chua Chen San CA(M) (Appointed on 1 March 2016)

Independent Non-Executive Director

Wong Ngie Yong (Resigned on 29 February 2016)

Independent Non- Executive Director

TERMS OF REFERENCE

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

COMPOSITION OF THE COMMITTEE

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

DUTIES AND RESPONSIBILITIES

The Committee shall:

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



GROUP AUDIT AND RISK MANAGEMENT COMMITTEE

(CONT'D)

AUTHORITY

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

FINANCIAL PROCEDURES AND FINANCIAL REPORTING

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

RELATED PARTY TRANSACTION

Monitor any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises question on management integrity.

EXTERNAL AUDIT

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

INTERNAL AUDIT

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

RISK MANAGEMENT

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

ALLOCATION OF SHARE OPTIONS

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



GROUP AUDIT AND RISK MANAGEMENT COMMITTEE

(CONT'D)



Refinery Tower

MEETINGS

During the financial year ended 31 December 2015, four (4) Committee meetings were held. A record of the attendance to these meetings is as follows:

	No. of Meetings Attended
Fong Yoo Kaw @ Fong Yee Kow, Victor, CA(M)	4/4
Dr Lai Yew Hock, Dominic	4/4
Tang Tiong Ing, CA(M)	4/4
Wong Ngie Yong (Resigned on 29 February 2016)	3/4

Meetings shall be held not less than four (4) times in a financial year. The quorum for a meeting shall be two (2) members with the majority of members present being independent Directors. The Committee also met with the external auditors at least twice (2) in a financial year without the presence of the Management. Other Directors and employees shall attend any particular Committee meeting only at the Committee's invitation and specific to the relevant meeting. The Company Secretary shall be the Secretary of the Committee. Minutes of each meeting are distributed to each Board member and the Chairman of the Committee reports on key issues discussed at each meeting to the Board.

INTERNAL AUDIT FUNCTION

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

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

During the year, the IA carried out a total of twelve (12) 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 RM452,218 (2014: RM414,000).

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE

(CONT'D)

ACTIVITIES

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

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

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



LAPORAN JAWATANKUASA AUDIT DAN PENGURUSAN RISIKO

Lembaga dengan sukacitanya mengemukakan Laporan Jawatankuasa Audit Dan Pengurusan Risiko ("Jawatankuasa") bagi tahun kewangan berakhir 31 Disember 2015.

LAPORAN AHLI

Pengerusi

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

Pengarah Bebas Bukan-Eksekutif

Ahli

Dr Lai Yew Hock, Dominic

Pengarah Bebas Bukan-Eksekutif

Tang Tiong Ing CA(M)

Pengarah Bukan-Bebas Bukan-Eksekutif

Chua Chen San CA(M) (Pelantikan pada 1 Mac 2016)

Pengarah Bebas Bukan-Eksekutif

Wong Ngie Yong (Perletakan jawatan pada 29 Februari 2016)

Pengarah Bebas Bukan-Eksekutif

TERMA-TERMA RUJUKAN

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

KEANGGOTAAN JAWATANKUASA

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

TUGAS DAN TANGGUNGJAWAB

Jawatankuasa hendaklah:

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



LAPORAN JAWATANKUASA AUDIT DAN PENGURUSAN RISIKO

(CONT'D)

BIDANG KUASA

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

PROSEDUR KEWANGAN DAN LAPORAN KEWANGAN

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

TRANSAKSI PIHAK BERKENAN

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

AUDIT LUARAN

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

AUDIT DALAMAN

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

PENGURUSAN RISIKO

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

PERUNTUKAN SAHAM OPSYEN

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



LAPORAN JAWATANKUASA AUDIT DAN PENGURUSAN RISIKO (CONT'D)



CPO Receiving and Loading Building

MESYUARAT

Bagi tahun kewangan berakhir pada 31 Disember 2015, empat (4) mesyuarat Jawatankuasa telah diadakan. Rekod kehadiran ahli pada mesyuarat tersebut adalah seperti berikut:

Jumlah mesyuarat dihadiri

Fong Yoo Kaw @ Fong Yee Kow, Victor, CA(M)	4/4
Dr Lai Yew Hock, Dominic	4/4
Tang Tiong Ing, CA(M)	4/4
Wong Ngie Yong (Perletakan jawatan pada 29 Februari 2016)	3/4

Mesyuarat akan diadakan tidak kurang dari empat (4) kali bagi setiap tahun kewangan. Korum bagi mesyuarat hendaklah terdiri daripada dua (2) ahli jawatankuasa dengan kehadiran majoritinya adalah Pengarah Bebas. Jawatankuasa juga bertemu dengan juruaudit luar sekurang-kurangnya dua (2) kali sepanjang tahun kewangan tanpa kehadiran pihak Pengurusan. Lain-lain ahli Lembaga dan kakitangan hendaklah menghadiri mana-mana mesyuarat jawatankuasa jika diundang oleh Jawatankuasa dan perkara-perkara yang berhubung berkenaan mesyuarat. Setiausaha Syarikat adalah Setiausaha Jawatankuasa. Minit-minit bagi setiap mesyuarat hendaklah diedarkan kepada setiap ahli-ahli Lembaga dan Pengerusi Jawatankuasa serta melaporkan perkara penting yang dibincangkan di setiap mesyuarat kepada Lembaga.

FUNGSI AUDIT DALAMAN

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

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

Sepanjang tempoh tahun kewangan, IA menjalankan dua belas (12) audit dan penilaian yang merangkumi semua kegiatan operasi Kumpulan di dalam bidang perladangan, perkilangan, operasi hiliran, perdagangan, kewangan dan pertadbiran. Kos untuk IA bagi tahun kewangan adalah sebanyak RM452,218 (2014: RM414,000).

LAPORAN JAWATANKUASA AUDIT DAN PENGURUSAN RISIKO

(CONT'D)

AKTIVITI-AKTIVITI

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

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

- Mengkaji bersama pengurusan secara berkala, polisi am syarikat, prosedur dan kawalan terutamanya berhubung kait dengan perakaunan pengurusan, laporan kewangan, pengurusan risiko dan etika perniagaan.
- Mengkaji semua pengumuman keputusan suku tahunan kewangan belum diaudit sebelum membuat syor untuk kelulusan Lembaga, dengan fokus utama ke atas:
 - o Perubahan pada atau pelaksanaan polisi utama perakaunan;
 - o Kejadian penting atau di luar kebiasaan;
 - o Andaian usaha berterusan;
 - o Pematuhan dengan piawaian-piawaian perakaunan dan peruntukan berkaitan yang telah ditetapkan oleh Kod Tadbir Urus Korporat Malaysia 2012 bagi tujuan penyediaan “Penyata Tadbir Urus Korporat” dan “Penyata Pengurusan Risiko dan Kawalan Dalaman” selaras dengan Syarat-syarat Penyenaaraan Bursa Malaysia;
 - o Pemberitahuan dan lain-lain peraturan perundangan.
- Mengkaji urusan pihak berkaitan yang terlibat dengan Kumpulan bagi memastikan transaksi yang dilaksanakan menurut terma perdagangan biasa dan secara kewajaran dan kelaziman usaha.
- Mengkaji skop kerja juruaudit luar dan rancangan audit tahun semasa sebelum kerja audit dimulakan.
- Mengkaji laporan tahunan dan penyata kewangan yang telah diaudit bersama juruaudit luar sebelum diserahkan kepada Lembaga untuk pertimbangan dan kelulusan, termasuk isu dan penemuan yang dinyatakan oleh juruaudit semasa menjalankan tugas menyiapkan penyataan kewangan bagi Kumpulan.
- Mempertimbang perlantikan juruaudit luar dan permintaan mereka untuk semakan semula yuran audit.
- Mengkaji program dan pelan IA bagi tahun kewangan di bawah kajian dan penilaian tahunan mutu kerja audit dalaman.
- Mengkaji laporan IA, yang memberi penekanan tentang isu-isu audit, syor and maklum balas pengurusan. Memberi penilaian kerja ke atas tindakan dan langkah-langkah penambahbaikan yang perlu diambil oleh pihak Pengurusan dalam menyelesaikan isu-isu audit yang dilapor dan disyorkan untuk tujuan penambahbaikan seterusnya.
- Mengkaji kewangan Kumpulan, had kredit, hadapan, derivatif dan pendedahan mata wang asing.
- Mengkaji terhad peruntukan opsyen saham bagi memastikan pematuhan seperti yang ditetapkan dalam skim saham dan komprehensif pengesahan dilanjutkan ke tahun 2016.
- Mengkaji proses pengurusan risiko dan laporan suku tahunan bagi mengenal pasti, menilai dan mengurus risiko yang dihadapi oleh Kumpulan.



STATEMENT ON DIRECTORS' RESPONSIBILITY

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

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

In preparing the financial statements for the year ended 31 December 2015 set out in pages 56 to 141, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, followed the applicable approved accounting standards in Malaysia, the provision of the Companies Act 1965 and the Listing Requirements of the Bursa Malaysia Securities Berhad.

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

This statement is made in accordance with the resolution of the Board of Directors dated 26 February 2016.



ADDITIONAL COMPLIANCE INFORMATION

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

1. NON-AUDIT FEES

The amount of non-audit fees incurred in the financial year ended 31 December 2015 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	36,509
KPMG	42,377
	78,886

2. MATERIAL CONTRACTS

There were no material contracts involving the interest of Directors and major shareholders pursuant to paragraph 21, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia entered into by the Group since the end of the previous financial year up to 31 December 2015 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 2015 were as follows:

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2015 Actual (RM’000)
1. The Group	Purchases of diesel and petrol to oil palm estates of SOPB Group from Shin Yang Services SdnBhd (“SY Services”)	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	196
2. The Group	Purchase of lubricant, spare parts and tyres for the tractors and machinery from Shin Yang Trading SdnBhd (“SY Trading”)	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	941
3. The Group	Purchase of gravel from Hollystone Quarry SdnBhd (“HQ”)	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	5,738
4. The Group	Provision of maintenace services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Lieng Trading SdnBhd (‘DLT’)	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	340
5. The Group	Purchase of tractors and machinery from Dai Lieng Machinery SdnBhd (“DLM”)	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	5,414

ADDITIONAL COMPLIANCE INFORMATION

(CONT'D)

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2015 Actual (RM'000)
6. The Group	Purchase of sawn timber from Shin Yang Sawmill SdnBhd ("SYSM")	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	110
7. The Company	Purchase of fresh fruit bunches from Linau Mewah SdnBhd ("LMSB")	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	41,552
8. The Company	Purchase of fresh fruit bunches from Shin Yang Forestry SdnBhd ("SYFSB")	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	343
9. The Group	Purchase of plastic bags from Kian Hang Plastic SdnBhd ("KHPSB")	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	280
10. The Group	Land transport services from Melinau Transport SdnBhd ("MTSB")	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	5,696
11. The Group	Land transport services from Miri Belait Transport Company SdnBhd ('MBTCSB')	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	-
12. The Group	Purchase of motor vehicles from Boulevard Jaya SdnBhd ("BJSB")	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	150
13. The Group	Purchase of sawn timber from Menawan Wood SdnBhd ("MWSB")	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	-
14. The Company	Purchase of FFB, CPO and/or PK from Primaluck (M) SdnBhd ('PSB')	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2) Ling Lu Kuang (3) Tang Tiong Ing (4)	-
15. The Group	Purchase of CPO and PK from Shin Yang Oil Palm (Sarawak) SdnBhd ("SYOPSSB")	Tan Sri Datuk Ling Chiong Ho (1) Ling Chiong Sing (2)	135,874
16. The Group	Provision of maintenance services and supply of spare parts of mill plant and machinery by Utama Parts Trading (Sarawak) SdnBhd ("UPTSSB")	Wong Ngie Yong (5)	2,024

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



Maiden shipment to Japan



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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 2015.

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 19 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	91,903	99,530
Profit attributable to:		
Owners of the Company	88,452	99,530
Non-controlling interests	3,451	-
	91,903	99,530

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 2014 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014 as reported in the Directors' report of that year:	
First and final single-tier dividend on 439,946,909 ordinary shares, paid on 23 July 2015	21,997

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2015, of 5% on 441,306,709 ordinary shares, amounting to a dividend payable of RM22,065,335 (5 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

DIRECTORS' REPORT (CONT'D)

DIRECTORS

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

Tan Sri Datuk Ling Chiong Ho	
Ling Chiong Sing	
Gerald Rentap Jabu	
Tang Tiong Ing	
Fong Yoo Kaw @ Fong Yee Kow	
Dr. Lai Yew Hock	
Wong Ngie Yong	(Resigned on 29.2.2016)
Hasbi Bin Suhaili	
Ling Lu Kuang	
Kamri Bin Ramlee	
Chua Chen San	(Appointed on 1.3.2016)

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 12 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 37 to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year (including where applicable the interests of their spouses or children who themselves are not Directors of the Company) in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1.1.2015	Acquired	Sold	At 31.12.2015
The Company				
Direct interest				
Tan Sri Datuk Ling Chiong Ho	31,069,808	-	-	31,069,808
Tang Tiong Ing	174,880	-	-	174,880
Dr. Lai Yew Hock	39,400	-	-	39,400
Wong Ngie Yong	20,000	-	-	20,000
Gerald Rentap Jabu	1,000	-	-	1,000
Deemed interest				
Tan Sri Datuk Ling Chiong Ho	126,294,214	-	-	126,294,214
Ling Chiong Sing	126,294,214	-	-	126,294,214

Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing by virtue of their interest in shares in the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM439,498,359 to RM441,306,709 by way of the issuance of 1,808,350 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM1.44 per ordinary share.

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

EMPLOYEE SHARE OPTIONS SCHEME

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

The salient features and other terms of the Employee Share Option Plans are disclosed in Note 38 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who have been granted options to subscribe for less than 79,700 ordinary shares of RM1.00 each.

During the financial year:

The Company granted 637,300 share options under the scheme. These options expire on 12 March 2017 and are exercisable if the employee remains in service.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the employee share option plans as at 31 December 2015 are as follows:

Expiry date	Weighted average exercise price RM	Number of options
12 March 2017	3.43	5,374,100

OTHER STATUTORY INFORMATION

- a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
 - i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - i) it necessary to write off any debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (Continued)

- d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- e) At the date of this report, there does not exist:
 - i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- f) In the opinion of the Directors:
 - i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT

Details of a significant event are disclosed in Note 46 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 April 2016.

Fong Yoo Kaw @ Fong Yee Kow

Tang Tiong Ing

STATEMENT BY DIRECTORS

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

We, **Fong Yoo Kaw @ Fong Yee Kow** and **Tang Tiong Ing**, being two of the Directors of **Sarawak Oil Palms Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 56 to 140 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The information set out in Note 48 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 April 2016.

Fong Yoo Kaw @ Fong Yee Kow

Tang Tiong Ing

STATUTORY DECLARATION

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

I, **Wong Siong Wung**, 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 56 to 141 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 **Wong Siong Wung** at
Miri in the State of Sarawak on 27 April 2016.

Wong Siong Wung

Before me,

Jagjeet Kaur

Commissioner For Oaths (No. Q050)
Lot 1155-1154, 1st Floor,
Miri Waterfront Commercial Centre,
Jalan Bendahara,
98000 Miri, Sarawak.

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the financial statements of Sarawak Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2015, and the 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 140.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

Other reporting responsibilities

The supplementary information set out in Note 48 on page 141 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Miri, Malaysia
Date: 27 April 2016

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	4	3,670,787	2,874,718	845,792	1,004,201
Cost of sales	5	(3,313,882)	(2,510,516)	(711,825)	(816,082)
Gross profit		356,905	364,202	133,967	188,119
Dividend income	6	-	-	24,650	16,830
Other operating income	7	11,245	10,930	11,576	10,364
Selling and marketing expenses		(166,312)	(142,890)	(55,057)	(67,510)
Administrative expenses		(14,225)	(19,930)	(2,816)	(4,969)
Other operating expenses		(38,374)	(28,764)	(5,014)	(5,278)
Operating profit		149,239	183,548	107,306	137,556
Finance income	8	13,269	14,129	24,513	21,477
Finance costs	9	(39,274)	(36,230)	(7,037)	(7,225)
Share of results of an associate		528	(1,311)	-	-
Profit before tax	10	123,762	160,136	124,782	151,808
Income tax expense	13	(31,859)	(36,737)	(25,252)	(27,170)
Profit net of tax		91,903	123,399	99,530	124,638
Profit attributable to:					
Owners of the Company		88,452	115,409	99,530	124,638
Non-controlling interests		3,451	7,990	-	-
		91,903	123,399	99,530	124,638
Earnings per share attributable to owners of the Company (sen per share)					
Basic	14	20.11	26.29		
Diluted	14	20.02	26.04		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit net of tax		91,903	123,399	99,530	124,638
Other comprehensive income					
Foreign currency translation		1,699	29	-	-
Fair value adjustment on cash flow hedge		61	289	-	-
Income tax relating to components of other comprehensive income	13	(17)	(72)	-	-
Other comprehensive income for the year, net of tax		1,743	246	-	-
Total comprehensive income for the year		93,646	123,645	99,530	124,638
Total comprehensive income attributable to:					
Owners of the Company		90,195	115,655	99,530	124,638
Non-controlling interests		3,451	7,990	-	-
		93,646	123,645	99,530	124,638

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	1,170,276	1,143,530	286,064	312,488
Plantation development expenditure	16	556,008	575,033	40,719	38,923
Land held for property development	17(a)	6,764	6,764	-	-
Land use rights	18	4,902	4,621	-	-
Investment in subsidiaries	19	-	-	500,888	494,133
Investment in associates	20	10,081	8,203	9,855	8,505
Other investments	21	-	-	85,600	40,600
Intangible asset	26	5,182	5,182	-	-
Deferred tax assets	31	64,307	49,057	-	-
		1,817,520	1,792,390	923,126	894,649
Current assets					
Inventories	23	289,011	232,819	61,749	25,777
Property development costs	17(b)	49,412	33,626	-	-
Trade and other receivables	24	396,932	158,929	626,150	560,543
Other current assets	25	6,415	3,406	692	584
Derivatives	22	11,017	1,115	-	-
Tax recoverable		19,370	9,713	11,110	4,731
Cash and bank balances	27	440,736	487,929	105,378	125,137
		1,212,893	927,537	805,079	716,772
Total assets		3,030,413	2,719,927	1,728,205	1,611,421
Equity and liabilities					
Current liabilities					
Loans and borrowings	28	699,395	454,695	93,875	42,012
Trade and other payables	29	274,511	221,766	99,805	75,460
Government grant	30	391	-	-	-
Income tax payable		2,385	1,545	706	706
Derivatives	22	14,370	10,999	69	-
		991,052	689,005	194,455	118,178
Net current assets		221,841	238,532	610,624	598,594

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current liabilities					
Loans and borrowings	28	402,454	476,729	66,310	108,829
Derivatives	22	90	148	-	-
Government grant	30	12,174	-	-	-
Deferred tax liabilities	31	124,775	125,139	34,260	33,629
		539,493	602,016	100,570	142,458
Total liabilities		1,530,545	1,291,021	295,025	260,636
Net assets		1,499,868	1,428,906	1,433,180	1,350,785
Equity attributable to owners of the Company					
Share capital	32	441,307	439,498	441,307	439,498
Share premium	32	16,724	14,656	16,724	14,656
Employee share option reserve	33	6,191	5,206	6,191	5,206
Other reserves	34	1,613	(130)	-	-
Retained earnings	35	937,949	871,494	968,958	891,425
		1,403,784	1,330,724	1,433,180	1,350,785
Non-controlling interests		96,084	98,182	-	-
Total equity		1,499,868	1,428,906	1,433,180	1,350,785
Total equity and liabilities		3,030,413	2,719,927	1,728,205	1,611,421

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 2015

2015 Group	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Attributable to Equity Holders of the Company		Distributable			
			Equity attributable to owners of the Company, total RM'000	Non-distributable	Employee share option reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Non-controlling interests RM'000
Opening balance at 1 January 2015	1,428,906	1,330,724	439,498	14,656	5,206	(130)	871,494	98,182
Total comprehensive income	93,646	90,195	-	-	-	1,743	88,452	3,451
Transactions with owners								
Dividend paid to non-controlling interests	(5,549)	-	-	-	-	-	-	(5,549)
Dividends on ordinary shares	(21,997)	(21,997)	-	-	-	-	(21,997)	-
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	2,609	2,609	1,809	800	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	2,253	2,253	-	-	2,253	-	-	-
Exercise of ESOS	-	-	-	1,268	(1,268)	-	-	-
Closing balance at 31 December 2015	1,499,868	1,403,784	441,307	16,724	6,191	1,613	937,949	96,084

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2014 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
			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 2014	1,326,188	1,231,619	438,253	11,423	4,271	(376)	778,048	94,569
Total comprehensive income	123,645	115,655	-	-	-	246	115,409	7,990
Transactions with owners								
Dividend paid to non-controlling interests	(4,340)	-	-	-	-	-	-	(4,340)
Dividends on ordinary shares	(21,963)	(21,963)	-	-	-	-	(21,963)	-
Disposal of a subsidiary	(37)	-	-	-	-	-	-	(37)
Issuance of ordinary shares:								
Pursuant to exercise of ESOS	3,182	3,182	1,245	1,937	-	-	-	-
Share option granted under ESOS:								
Recognised in profit or loss	2,231	2,231	-	-	2,231	-	-	-
Exercise of ESOS	-	-	-	1,296	(1,296)	-	-	-
Closing balance at 31 December 2014	1,428,906	1,330,724	439,498	14,656	5,206	(130)	871,494	98,182

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2015 Company	Note	Equity, total RM'000	Non distributable		Distributable	
			Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Retained earnings RM'000
Opening balance at 1 January 2015		1,350,785	439,498	14,656	5,206	891,425
Total comprehensive income		99,530	-	-	-	99,530
Transactions with owners						
Dividends on ordinary shares	44	(21,997)	-	-	-	(21,997)
Issuance of ordinary shares:						
Pursuant to exercise of ESOS		2,609	1,809	800	-	-
Share option granted under ESOS:						
Recognised in profit or loss		1,297	-	-	1,297	-
Charged to subsidiaries		956	-	-	956	-
Exercise of ESOS		-	-	1,268	(1,268)	-
Closing balance at 31 December 2015		1,433,180	441,307	16,724	6,191	968,958

2014 Company	Note	Equity, total RM'000	Non distributable		Distributable	
			Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Retained earnings RM'000
Opening balance at 1 January 2014		1,242,697	438,253	11,423	4,271	788,750
Total comprehensive income		124,638	-	-	-	124,638
Transactions with owners						
Dividends on ordinary shares	44	(21,963)	-	-	-	(21,963)
Issuance of ordinary shares:						
Pursuant to exercise of ESOS		3,182	1,245	1,937	-	-
Share option granted under ESOS:						
Recognised in profit or loss		1,302	-	-	1,302	-
Charged to subsidiaries		929	-	-	929	-
Exercise of ESOS		-	-	1,296	(1,296)	-
Closing balance at 31 December 2014		1,350,785	439,498	14,656	5,206	891,425

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 2015

Note	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating activities				
Profit before tax	123,762	160,136	124,782	151,808
<u>Adjustments for:</u>				
Amortisation of land use rights	18	79	60	-
Amortisation of plantation development expenditure	16	29,742	27,670	3,867
Depreciation of property, plant and equipment	15	78,299	66,315	37,861
Dividend income	6	-	-	(24,650)
Share options granted under ESOS	33	2,253	2,231	1,297
Fair value changes on derivative financial instruments		(6,582)	8,182	69
Gain on disposal of property, plant and equipment	7	(552)	(1,085)	(267)
Gain on disposal of a subsidiary	7	-	(1)	-
Finance income	8	(13,269)	(14,129)	(24,513)
Interest expense	9	39,274	36,230	7,037
Inventories written off	10	-	20	-
Loss on disposal of property, plant and equipment	10	178	52	-
Unrealised loss/(gain) on foreign exchange		1,053	(2,285)	(554)
Property, plant and equipment written off	10	344	86	336
Share of results of an associate		(528)	1,311	-
Total adjustments		130,291	124,657	483
Operating cash flows before changes in working capital		254,053	284,793	125,265
<u>Changes in working capital</u>				
(Increase)/Decrease in inventories		(56,192)	(64,818)	(35,972)
Increase in property development costs		(13,830)	(17,187)	-
Increase in trade and other receivables		(215,011)	(68,939)	(6,813)
(Increase)/Decrease in other current assets		(3,009)	(844)	(108)
Increase/(Decrease) in trade and other payables		27,959	35,603	18,630
Net movement in subsidiaries balances		-	-	(52,122)
Total changes in working capital		(260,083)	(116,185)	(76,385)
Cash flows (used in)/from operations		(6,030)	168,608	48,880
Interest received		2,765	2,891	-
Interest paid		(31,177)	(29,198)	-
Income tax paid		(60,829)	(65,106)	(31,000)
Income tax refunded		4,478	12,441	-
Net cash flows (used in)/from operating activities		(90,793)	89,636	17,880

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Investing activities					
Dividend received		-	-	24,650	16,830
Interest received		10,504	11,238	24,513	21,477
Purchase of property, plant and equipment		(99,045)	(144,775)	(9,151)	(24,196)
Increase in plantation development expenditures		(9,849)	(17,574)	(5,663)	(4,565)
Increase in land held for property development		-	(1)	-	-
Additions to land use rights		(368)	(334)	-	-
Proceeds from disposal of property, plant and equipment		2,184	2,258	1,677	1,611
Acquisition of additional shares in investment in subsidiaries		-	-	(6,755)	(700)
Acquisition of preference shares in a subsidiary		-	-	(45,000)	-
Acquisition of additional shares in an associate		(1,350)	-	(1,350)	-
Cash outflow on disposal of a subsidiary	19	-	(49)	-	-
Net cash flows (used in)/from investing activities		(97,924)	(149,237)	(17,079)	10,457
Financing activities					
Net movement in trade financing		196,125	102,554	15,127	-
Repayment of loans and borrowings		(165,188)	(134,500)	(87,221)	(58,117)
Repayment of obligations under finance leases		(11,395)	(13,243)	(5,595)	(6,443)
Proceeds from exercise of ESOS		2,609	3,182	2,609	3,182
Proceeds from loans and borrowings		138,615	138,556	83,000	42,296
Proceeds from obligations under finance leases		167	-	-	-
Proceeds from government grant		12,565	-	-	-
Dividend paid		(21,997)	(21,963)	(21,997)	(21,963)
Dividend paid to non-controlling interests		(5,549)	(4,340)	-	-
Interest paid		(11,176)	(10,647)	(7,037)	(7,225)
Net cash flows from/(used in) financing activities		134,776	59,599	(21,114)	(48,270)
Net decrease in cash and cash equivalents		(53,941)	(2)	(20,313)	(26,533)
Cash and cash equivalents at 1 January		487,929	482,671	125,137	151,521
Effect of exchange rate changes on cash and cash equivalents		3,248	5,260	554	149
Cash and cash equivalents at 31 December	27	437,236	487,929	105,378	125,137

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

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 19 to the financial statements.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2015 as described fully in Note 2.2.

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

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

2.2 Changes in accounting policies

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

On 1 January 2015, the Group and the Company adopted the following new and amended FRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015.

- Amendments to FRS 119: Defined Benefit Plans - Employee Contributions
- Annual Improvements to FRSs 2010 - 2012 Cycle
- Annual Improvements to FRSs 2011 - 2013 Cycle

The nature and impact of the new and amended FRSs and IC Interpretation are described below:

(a) Amendments to FRS 119 Defined Benefit Plans: Employee Contributions

The amendments to FRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) Annual Improvements to FRSs 2010–2012 Cycle

The Annual Improvements to FRSs 2010-2012 Cycle include a number of amendments to various FRSs, which are summarised below.

(i) FRS 2 Share-based Payment

This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. The amendment did not have an impact on the Group in respect of its grant of options during the second half of 2014 and the year ended 31 December 2015.

(ii) FRS 3 Business Combinations

The amendments to FRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 9 or FRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group.

(iii) FRS 8 Operating Segments

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in FRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

The Group has reported property development as a separate segment from 2015. The Group has not applied the aggregation criteria as mentioned above. The Group presents the reconciliation of segment assets to total assets.

(iv) FRS 116 Property, Plant and Equipment and FRS 138 Intangible Assets

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between gross and carrying amounts of the asset. This amendment did not have any impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) Annual Improvements to FRSs 2010–2012 Cycle (Continued)

(v) FRS 124 Related Party Disclosures

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. This amendment is not applicable to the Group as the Group does not receive any management services from other entities.

(c) Annual Improvements to FRSs 2011–2013 Cycle

The Annual Improvements to FRSs 2011-2013 Cycle include a number of amendments to various FRSs, which are summarised below. The Group has applied the amendments for the first time in the current year.

(i) FRS 3 Business Combinations

The amendments to FRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively. The Group is not a joint arrangement and thus this arrangement is not relevant to the Group.

(ii) FRS 13 Fair Value Measurement

The amendments to FRS 13 clarify that the portfolio exception in FRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of FRS 9 (or FRS 139 as applicable). The Group does not apply the portfolio exception.

(iii) FRS 140 Investment Property

The amendments to FRS 140 clarify that an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of FRS 140; and
- the transaction meets the definition of a business combination under FRS 3,

to determine if the transaction is a purchase of an asset or is a business combination.

In previous financial years, the Group has applied FRS 3 and not FRS 140 in determining whether an acquisition is of an asset or is a business combination. Accordingly, this amendment did not have any impact to the Group.

2.3 Standards issued but not yet effective

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

MFRS effective for annual periods beginning on or after 1 January 2016

- Annual Improvements to FRSs 2012 - 2014 Cycle
- Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 10 and FRS 128: Sale or Contribution
- Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to FRS 127: Equity Method in Separate Financial Statements
- Amendments to FRS 101: Disclosure Initiatives
- Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities, Applying the Consolidation Exception
- FRS 14: Regulatory Deferral Accounts

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

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

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

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

The amendments clarify that:

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

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

(c) Amendments to FRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

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

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

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

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying FRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of FRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to FRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

(e) Amendments to FRS 101: Disclosure Initiatives

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

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

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

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

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provide that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

(g) FRS 14 Regulatory Deferral Accounts

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

(h) Annual Improvements to FRSs 2012–2014 Cycle

The Annual Improvements to FRSs 2012–2014 Cycle include a number of amendments to various FRSs, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

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

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

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

(ii) FRS 7 Financial Instruments: Disclosures

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

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

(iii) FRS 119 Employee Benefits

The amendment to FRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

(iv) FRS 134 Interim Financial Reporting

FRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.

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

Malaysian Financial Reporting Standards ("MFRS Framework")

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

Malaysian Financial Reporting Standards (“MFRS Framework”) (Continued)

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

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

At the date of these financial statements, the Group and the Company have not completed their quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2015 could be different if prepared under the MFRS Framework.

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

The new and amended standards (which are applicable upon adoption of MFRS Framework) that are issued but not yet effective up to the date of issuance of the Group’s and the Company’s financial statements are disclosed below.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018

(a) Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

The amendments are effective for annual periods beginning on or after 1 January 2016 and are to be applied retrospectively, with early adoption permitted. The directors anticipate that the application of these amendments will have a material impact on the amounts reported and disclosures made in the Group’s and the Company’s financial statements. The Group and the Company are currently assessing the impact of these amendments upon adoption of MFRS Framework.

(b) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

Malaysian Financial Reporting Standards (“MFRS Framework”) (Continued)

(b) MFRS 15: Revenue from Contracts with Customers (Continued)

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 upon adoption of MFRS Framework.

(c) MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but no impact on the classification and measurement of the Group’s financial liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

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

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

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

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

Business combinations

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment

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

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

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

Leasehold land	over the remaining leasehold period
Infrastructures	over the remaining leasehold period
Buildings	5 – 20 years
Furniture and office equipment	5 – 10 years
Motor vehicles and vessels	5 – 8 years
Plant, machinery and field equipment	4 – 10 years

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

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

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

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

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

2.8 Plantation development expenditure

New planting expenditure incurred on land clearing, upkeep of immature oil palms and interest incurred during the pre-maturity period (pre-cropping costs) is capitalised under plantation development expenditure. Upon maturity, all subsequent maintenance expenditure is charged to revenue 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 plantation development expenditure and amortised on the above-mentioned basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.9 Intangible assets

Goodwill

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

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

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

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

2.10 Land use rights

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

2.11 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.12 Subsidiaries

A subsidiary is an entity over which the Group 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.

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

2.13 Investments in associates

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

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.

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 date of the statement of financial position.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.16 Inventories (Continued)

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

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

(b) Other processed inventories

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

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

(c) Other inventories

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

2.17 Financial assets

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.17 Financial assets (Continued)

(b) Loans and receivables

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

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

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

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

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

2.18 Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

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 in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

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

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

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

(b) Other financial liabilities

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

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

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

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

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

2.20 Financial guarantee contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.21 Borrowing costs

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

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

2.22 Employee benefits

(a) Defined contribution plans

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

(b) Employee share option plans

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

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

2.23 Leases

As lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.24 Revenue

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

(a) Sale of goods

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

(b) Rendering of services

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

(c) Sale of properties

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

2.25 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

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 statements of financial position.

2.26 Share capital and share issuance expenses

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

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

2.27 Contingencies

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.28 Derivative financial instruments and hedge accounting

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

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

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.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects profit or loss.

The Group uses an interest swap as a hedge for the exposure to its floating rate secured loan. See Note 22 for more details.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.29 Fair value measurements

The Group measures financial instruments at fair value at each reporting date. Also, fair values of the financial instruments measured at amortised cost are disclosed in Note 40.

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.

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

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

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

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

2.30 Government grants

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.31 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.32 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting judgements and estimates

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

Key sources of estimation uncertainty

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

3. Significant accounting judgements and estimates (Continued)

Key sources of estimation uncertainty (Continued)

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

These are common life expectancies applied in the oil palm industry. Changes in the expected level of usage and technological developments and other factors could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment and plantation development expenditure at the reporting date is disclosed in Notes 15 and 16 respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 4.37% (2014: 2.94%) variance in the Group's profit for the year.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 24.

(c) Deferred tax assets

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

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

The carrying value of deferred tax assets of the Group at 31 December 2015 was RM64,307,000 (2014: RM49,057,000) and recognised tax losses and capital allowances were RM299,396,000 (2014: RM261,917,000) and RM568,517,000 (2014: RM545,346,000).

(d) Impairment of goodwill

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

When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value are given in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

4. Revenue

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sales of palm based products	3,662,836	2,873,961	845,792	1,004,201
Sale of properties	7,951	757	-	-
	3,670,787	2,874,718	845,792	1,004,201

5. Cost of sales

Cost of palm based inventories sold	3,306,551	2,509,817	711,825	816,082
Cost of properties sold	7,331	699	-	-
	3,313,882	2,510,516	711,825	816,082

6. Dividend income

Dividend income from subsidiaries	-	-	24,650	16,830
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7. Other income

Gain on disposal of property, plant and equipment	552	1,085	267	708
Fair value gain on futures and forwards	6,582	1,723	-	-
Rental income	159	169	8,760	8,359
Miscellaneous	3,952	4,330	1,482	1,148
Gain on disposal of a subsidiary	-	1	-	-
Net gain on foreign exchange	-	2,285	554	149
Realised gain on future and forward contracts	-	1,337	513	-
	11,245	10,930	11,576	10,364

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

8. Finance income

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from:				
- Short term deposits	12,307	12,833	3,419	4,167
- Current account	954	1,287	276	-
- Futures (FCPO)	8	9	8	9
- Subsidiaries	-	-	20,810	17,301
	13,269	14,129	24,513	21,477

9. Finance costs

Interest expenses on:				
- Bank loans	25,940	34,228	3,089	3,193
- Bankers acceptances	7,617	-	15	-
- Obligations under finance leases	714	889	441	433
- Revolving credits	7,500	4,483	3,411	3,461
- Interest rate swap	62	107	-	-
- Others	520	138	81	138
	42,353	39,845	7,037	7,225
Less: Amount capitalised in:				
- Plantation development expenditure (Note 16)	(643)	(2,048)	-	-
- Property, plant and equipment (Note 15)	(508)	(661)	-	-
- Property development costs (Note 17(b))	(1,928)	(906)	-	-
Total finance costs	39,274	36,230	7,037	7,225

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

10. Profit before tax

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
The following items have been included in arriving at profit before tax:				
Employee benefits expense (Note 11)	168,460	165,329	53,753	51,767
Non-executive directors' remuneration	651	652	404	407
Auditors' remuneration				
- Current year	433	298	100	100
- Underprovision in previous years	1	32	-	13
Depreciation of property, plant and equipment (Note 15)	78,299	66,315	37,861	33,167
Amortisation of plantation development expenditure (Note 16)	29,742	27,670	3,867	3,576
Amortisation of land use rights (Note 18)	79	60	-	-
Rental expenses	14,348	8,398	289	277
Loss on disposal of property, plant and equipment	178	52	-	-
Inventories written off	-	20	-	-
Property, plant and equipment written off	344	86	336	24
Net loss on foreign exchange	31,959	11,788	-	-
Fair value loss on futures and forwards	-	9,905	69	-
Net realised loss on futures and forward contracts	6,693	-	-	-

11. Employee benefits expense

Salaries and wages	159,064	161,334	49,119	47,061
Social security contributions	637	603	325	330
Share options granted under ESOS	2,253	2,232	1,297	1,302
Contributions to defined contribution plan	7,219	7,485	2,968	3,029
Other benefits	230	363	44	45
	169,403	172,017	53,753	51,767
Less: Amount capitalised in plantation development expenditure	(943)	(6,661)	-	-
Less: Amount capitalised in property development costs	-	(27)	-	-
	168,460	165,329	53,753	51,767

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

11. Employee benefits expense (Continued)

Included in employee benefits expense of the Group and of the Company are the Executive Director's remuneration amounting to RM2,059,000 (2014: RM1,946,000) and RM1,997,000 (2014: RM1,936,000) respectively as further disclosed in Note 12.

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term employee benefits	6,966	7,154	1,891	1,940
Post-employment benefits:				
Defined contribution plan	797	931	216	252
Share-based payment	583	562	156	152
	<hr/>	<hr/>	<hr/>	<hr/>
	8,346	8,647	2,263	2,344

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	
	2015 '000	2014 '000
At 1 January	3,995	3,547
Granted	501	530
Exercised	(1,203)	(82)
	<hr/>	<hr/>
At 31 December	3,293	3,995

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 38).

12. Directors' remuneration

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive:				
Bonus	518	450	518	450
Fees	106	54	44	45
Other emoluments	1,435	1,442	1,435	1,441
	<hr/>	<hr/>	<hr/>	<hr/>
Total executive directors' remuneration (excluding benefits-in-kind) (Note 11)	2,059	1,946	1,997	1,936
Estimated money value of benefits-in-kind	28	28	28	28
	<hr/>	<hr/>	<hr/>	<hr/>
Total executive directors' remuneration (including benefits-in-kind)	2,087	1,974	2,025	1,964

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

12. Directors' remuneration (Continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-executive: Fees	651	652	404	407
Total non-executive directors' remuneration	651	652	404	407
Total directors' remuneration	2,738	2,626	2,429	2,371

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	
	2015	2014
Executive Director:		
RM1,950,001 - RM2,000,000	-	1
RM2,050,001 - RM2,100,000	1	-
Non-Executive Directors:		
Below RM50,000	6	6
RM50,001 - RM100,000	3	3

13. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Statement of profit or loss:				
Current income tax:				
Malaysian income tax	47,610	53,217	24,760	26,685
Overprovision in respect of previous years	(120)	(1,268)	(139)	(1,165)
	47,490	51,949	24,621	25,520
Deferred income tax (Note 31):				
Origination or reversal of temporary differences	(13,604)	(11,991)	1,438	4,226
Effect of reduction in tax rates	-	(1,748)	-	(1,401)
Overprovision in respect of previous years	(2,027)	(1,473)	(807)	(1,175)
	(15,631)	(15,212)	631	1,650
Income tax expense recognised in profit and loss	31,859	36,737	25,252	27,170

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

13. Income tax expense (Continued)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax	123,762	160,136	124,782	151,808
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	30,941	40,034	31,196	37,952
Adjustments:				
Effect of lower tax rate in Singapore	(615)	14	-	-
Non-deductible expenses	4,921	6,880	1,268	2,159
Income not subject to taxation	(461)	(949)	(6,162)	(4,207)
Effect of tax incentives	(701)	(5,006)	-	(5,006)
Effect of reduction in tax rates	337	(1,658)	(60)	(1,401)
Deferred tax assets not recognised during the year	28	174	-	-
Reversal of deferred tax assets not recognised in previous years	(19)	(14)	-	-
Overprovision of income tax in respect of previous years	(120)	(1,268)	(139)	(1,165)
Overprovision of deferred tax in respect of previous years	(2,027)	(1,473)	(807)	(1,175)
Utilisation of previously unrecognised capital allowance	(380)	(11)	-	-
Others	(45)	14	(44)	13
Income tax expense recognised in profit and loss	31,859	36,737	25,252	27,170
Deferred tax relating to other comprehensive income:				
Fair value adjustment on cash flow hedge	17	72	-	-

Current income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 24% from the current year's tax rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected the change in tax rate.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

14. Earnings per share

Continuing operations

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

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

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

	Group	
	2015	2014
	RM'000	RM'000
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	88,452	115,409
	2015	2014
	'000	'000
Weighted average number of ordinary shares of basic earnings per share computation	439,894	439,030
Effect of dilution - share options	1,890	4,099
Weighted average number of ordinary shares for diluted earnings per share computation	441,784	443,129

15. Property, plant and equipment

	Land, buildings and infra- structure *	Furniture and office equipment	Motor vehicles and vessels	Plant, machinery and field equipment	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000
Cost:					
At 1.1.2014	785,868	15,999	92,493	405,442	1,299,802
Additions	4,356	2,274	9,913	15,827	32,370
Disposals	(111)	(18)	(1,743)	(1,126)	(2,998)
Written off	(38)	(80)	(311)	(624)	(1,053)
Transferred from capital work-in-progress	63,376	90	-	100,806	164,272
Exchange translation differences	-	3	-	-	3

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

15. Property, plant and equipment (Continued)

Group	Land, buildings and infra- structure * RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Cost: (Continued)					
At 31.12.2014 and 1.1.2015	853,451	18,268	100,352	520,325	1,492,396
Additions	10,223	1,556	7,193	13,705	32,677
Reclassification from plantation development expenditure	190	-	-	-	190
Disposals	(1,174)	-	(1,388)	(601)	(3,163)
Written off	(192)	(77)	(39)	(1,733)	(2,041)
Transferred from capital work-in-progress	926	3,127	1,015	21,915	26,983
Exchange translation differences	-	26	83	-	109
At 31.12.2015	863,424	22,900	107,216	553,611	1,547,151
Accumulated depreciation:					
At 1.1.2014	131,040	8,788	49,151	173,623	362,602
Charge for the year	20,666	1,305	8,375	37,816	68,162
Disposals	(1)	(8)	(1,524)	(240)	(1,773)
Written off	(38)	(67)	(265)	(597)	(967)
Exchange translation differences	-	1	4	-	5
At 31.12.2014 and 1.1.2015	151,667	10,019	55,741	210,602	428,029
Charge for the year	22,346	1,553	9,064	45,771	78,734
Reclassification	(122)	-	578	(456)	-
Disposals	-	-	(838)	(725)	(1,563)
Written off	(192)	(61)	(38)	(1,406)	(1,697)
Exchange translation differences	-	4	20	-	24
At 31.12.2015	173,699	11,515	64,527	253,786	503,527
Net carrying amount:					
At 31.12.2014	701,784	8,249	44,611	309,723	1,064,367
Capital work-in-progress					
At 1.1.2014					119,841
Additions					123,594
Transferred to property, plant and equipment					(164,272)
At 31.12.2014					79,163
					1,143,530
At 31.12.2015	689,725	11,385	42,689	299,825	1,043,624

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

15. Property, plant and equipment (Continued)

Group	Land, buildings and infra- structure * RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Net carrying amount: (Continued)					
Capital work-in-progress					
At 1.1.2015					79,163
Additions					74,682
Disposals					(210)
Transferred to property, plant and equipment					(26,983)
					126,652
At 31.12.2015					1,170,276

*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 1.1.2014	68,625	215,840	212,754	288,649	785,868
Additions	-	-	293	4,063	4,356
Disposals	-	-	(111)	-	(111)
Written off	-	-	(38)	-	(38)
Transferred from capital work-in-progress	-	-	54,850	8,526	63,376
	68,625	215,840	267,748	301,238	853,451
At 31.12.2014 and 1.1.2015					
Additions	-	574	8,768	881	10,223
Reclassification	-	-	(2,723)	2,723	-
Reclassified from plantation development expenditure	-	-	190	-	190
Disposals	-	(1,174)	-	-	(1,174)
Written off	-	-	(192)	-	(192)
Transferred from capital work-in-progress	-	-	(576)	1,502	926
	68,625	215,240	273,215	306,344	863,424
At 31.12.2015					

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

15. Property, plant and equipment (Continued)

*Land, Buildings and Infrastructures (Continued)

Group	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Infrastructures RM'000	Total RM'000
Accumulated depreciation:					
At 1.1.2014	13,242	16,744	74,477	26,577	131,040
Charge for the year	1,303	3,160	11,689	4,514	20,666
Disposals	-	-	(1)	-	(1)
Written off	-	-	(38)	-	(38)
At 31.12.2014 and 1.1.2015	14,545	19,904	86,127	31,091	151,667
Charge for the year	1,259	2,763	13,388	4,936	22,346
Reclassification	-	-	(235)	113	(122)
Written off	-	-	(192)	-	(192)
At 31.12.2015	15,804	22,667	99,088	36,140	173,699
Net carrying amount:					
At 31.12.2014	54,080	195,936	181,621	270,147	701,784
At 31.12.2015	52,821	192,573	174,127	270,204	689,725

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	Total RM'000
Cost:					
At 1.1.2014	162,135	10,612	58,270	206,875	437,892
Transferred from capital work-in-progress	27,678	-	-	41,560	69,238
Additions	1,213	1,111	6,242	7,317	15,883
Disposals	-	(17)	(1,704)	(1,220)	(2,941)
Written off	(38)	(68)	(256)	(515)	(877)
At 31.12.2014 and 1.1.2015	190,988	11,638	62,552	254,017	519,195
Transferred from capital work-in-progress	1,572	3,122	-	22,692	27,386
Additions	24	738	4,957	2,181	7,900
Disposals	-	(4)	(977)	(1,485)	(2,466)
Written off	(10)	(36)	(37)	(1,066)	(1,149)
At 31.12.2015	192,574	15,458	66,495	276,339	550,866

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

15. 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	Total RM'000
Accumulated depreciation:					
At 1.1.2014	54,269	6,178	28,330	113,831	202,608
Charge for the year	7,075	683	5,391	20,205	33,354
Disposals	-	(8)	(1,648)	(382)	(2,038)
Written off	(38)	(60)	(256)	(499)	(853)
At 31.12.2014 and 1.1.2015	61,306	6,793	31,817	133,155	233,071
Charge for the year	7,180	825	6,310	23,546	37,861
Disposals	-	(1)	(593)	(672)	(1,266)
Written off	(10)	(24)	(37)	(742)	(813)
At 31.12.2015	68,476	7,593	37,497	155,287	268,853
Net carrying amount:					
At 31.12.2014	129,682	4,845	30,735	120,862	286,124
Capital work-in-progress					
At 1.1.2014					80,085
Additions					15,517
Transferred to property, plant and equipment					(69,238)
At 31.12.2014					26,364
					312,488
At 31.12.2015	124,098	7,865	28,998	121,052	282,013
Capital work-in-progress					
At 1.1.2015					26,364
Additions					5,283
Disposals					(210)
Transferred to property, plant and equipment					(27,386)
At 31.12.2015					4,051
					286,064

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

15. Property, plant and equipment (Continued)

* Leasehold land, buildings and infrastructure

Company	Long term leasehold land RM'000	Buildings RM'000	Infrastructure RM'000	Total RM'000
Cost:				
At 1.1.2014	38,851	115,239	8,045	162,135
Transferred from capital work-in-progress	-	27,678	-	27,678
Additions	-	143	1,070	1,213
Written off	-	(38)	-	(38)
At 31.12.2014 and 1.1.2015	38,851	143,022	9,115	190,988
Transferred from capital work-in-progress	-	1,397	175	1,572
Additions	-	24	-	24
Written off	-	(10)	-	(10)
At 31.12.2015	38,851	144,433	9,290	192,574
Accumulated depreciation:				
At 1.1.2014	7,296	46,583	390	54,269
Charge for the year	1,244	5,691	140	7,075
Written off	-	(38)	-	(38)
At 31.12.2014 and 1.1.2015	8,540	52,236	530	61,306
Charge for the year	524	6,496	160	7,180
Written off	-	(10)	-	(10)
At 31.12.2015	9,064	58,722	690	68,476
Net carrying amount:				
At 31.12.2014	30,311	90,786	8,585	129,682
At 31.12.2015	29,787	85,711	8,600	124,098

a) Assets held under finance leases

During the financial year, the Group and the Company acquired plant and machinery and motor vehicles with an aggregate cost of RM7,806,000 (2014: RM10,528,000) and RM4,032,000 (2014: RM7,204,000) 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 RM99,045,000 (2014: RM144,775,000) and RM9,151,000 (2014: RM24,196,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

15. Property, plant and equipment (Continued)

a) Assets held under finance leases (Continued)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Plant and machinery	13,016	16,766	5,252	5,986
Motor vehicles	7,925	15,552	5,075	11,631
	20,941	32,318	10,327	17,617

Leased assets are pledged as security for the related finance lease liabilities (Note 28).

b) Additions to property, plant and equipment include:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loan interests capitalised (Note 9)	508	661	-	-

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit or loss (Note 10)	78,299	66,315	37,861	33,167
Plantation development expenditure (Note 16)	407	1,739	-	187
Property development cost (Note 17)	28	108	-	-
	78,734	68,162	37,861	33,354

d) The net carrying amount of leasehold land pledged for loan and borrowings as referred to in Note 28 are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Leasehold land	23,956	29,668	-	7,183

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

16. Plantation development expenditure

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cost:				
At 1 January	766,426	745,044	100,350	95,598
Additions	10,907	21,382	5,663	4,752
Reclassification to property, plant and equipment	(190)	-	-	-
At 31 December	777,143	766,426	106,013	100,350
Accumulated amortisation:				
At 1 January	191,393	163,723	61,427	57,851
Amortisation for the year (Note 10)	29,742	27,670	3,867	3,576
At 31 December	221,135	191,393	65,294	61,427
Net carrying amount:				
At 31 December	556,008	575,033	40,719	38,923

Additions to plantation development expenditure include:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Depreciation of property, plant and equipment (Note 15)	407	1,739	-	187
Loan interests capitalised (Note 9)	643	2,048	-	-
Amortisation of land use rights (Note 18)	8	21	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

17. 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 2014	18,307	3,881	22,188
Additions	-	1	1
Transfer to property development costs	(11,551)	(3,874)	(15,425)
At 31 December 2014 and 31 December 2015	6,756	8	6,764

(b) Property development costs

	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group			
Cumulative property development costs			
At 1 January 2014 and 1 January 2015	11,599	22,726	34,325
Costs incurred during the year	201	22,916	23,117
At 31 December 2015	11,800	45,642	57,442
Group			
Cumulative costs recognised in profit or loss			
At 1 January 2014 and 1 January 2015	(212)	(487)	(699)
Recognised during the year	(375)	(6,956)	(7,331)
At 31 December 2015	(587)	(7,443)	(8,030)
Property development costs at 31 December 2015	11,213	38,199	49,412
At 31 December 2014	11,387	22,239	33,626

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

17. Land held for property development (Continued)

(b) Property development costs (Continued)

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

	2015 RM'000	2014 RM'000
Interest expenses (Note 9)	1,928	906
Depreciation of property, plant and equipment (Note 15)	28	108

18. Land use rights

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cost:				
At 1 January	4,779	4,445	-	-
Additions	368	334	-	-
At 31 December	5,147	4,779	-	-
Accumulated amortisation:				
At 1 January	158	77	-	-
Amortisation for the year	87	81	-	-
Recognised in profit or loss (Note 10)	79	60	-	-
Capitalised in plantation development expenditure (Note 16)	8	21	-	-
At 31 December	245	158	-	-
Net carrying amount:				
At 31 December	4,902	4,621	-	-
Amount to be amortised:				
- Not later than one year	94	87	-	-
- Later than one year but not later than five years	376	348	-	-
- Later than five years	4,432	4,186	-	-
	4,902	4,621	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

19. Investment in subsidiaries

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares at cost	500,888	494,133

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	
			2015 %	2014 %	2015 %	2014 %
Held by the Company:						
SOP Karabungan Sdn. Bhd.	Malaysia	Cultivation of oil palms	70	70	30	30
SOP Pelita Batu Lintang Plantation Sdn. Bhd.	Malaysia	Cultivation of oil palms	60	60	40	40
SOP Plantations (Balingian) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	80	80	20	20
SOP Plantations (Beluru) Sdn. Bhd.	Malaysia	Cultivation of oil palms	100	100	-	-
SOP Plantations (Borneo) Sdn. Bhd.	Malaysia	Cultivation of oil palms	85	85	15	15
SOP Plantations (Kemena) Sdn. Bhd.	Malaysia	Cultivation of oil palms	100	100	-	-
SOP Plantations (Niah) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	80	80	20	20
SOP Plantations (Sarawak) Sdn. Bhd.	Malaysia	Investment holding	100	100	-	-
SOP Plantations (Suai) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	85	85	15	15
SOP Plantations (Sabaju) Sdn. Bhd.	Malaysia	Cultivation of oil palms	60	60	40	40
SOP Resources Sdn. Bhd.	Malaysia	Supplies of goods	100	100	-	-
SOP Services Sdn. Bhd.	Malaysia	Rendering of IT and insurance services	100	100	-	-
SOP Industries Sdn. Bhd.	Malaysia	Investment holding	100	100	-	-
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 Lambirmass Sdn. Bhd. (Formerly known as SOP Sg Arang Plantation Sdn. Bhd.)	Malaysia	Inactive	100	60	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

19. 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	
			2015 %	2014 %	2015 %	2014 %
Held by the Company (Continued):						
SOP Transport Sdn. Bhd.*	Malaysia	Transportation services	100	100	-	-
Subur Asiamas Sdn. Bhd.*	Malaysia	Packaging and distribution of food products	100	100	-	-
SOPB Pte. Ltd.**	Singapore	Sales and marketing agents	100	100	-	-
Held through a subsidiary - 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	-	-	-
Held through a subsidiary - 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 a subsidiary - SOP Properties Sdn. Bhd.:						
SOP Properties (Mortgage) Sdn. Bhd.	Malaysia	Inactive	100	-	-	-

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

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

a) Acquisition of subsidiaries

Subur Asiamas Sdn. Bhd.

On 25 April 2014, the Company acquired by allotment of additional 499,998 ordinary shares in Subur Asiamas Sdn. Bhd. for a cash consideration of RM499,998.

SOP Transport Sdn. Bhd.

On 17 January 2014, the Company acquired by allotment of additional 99,998 ordinary shares in SOP Transport Sdn. Bhd. for a cash consideration of RM99,998.

On 2 October 2014, the Company acquired by allotment of additional 100,000 ordinary shares in SOP Transport Sdn. Bhd. for a cash consideration of RM100,000.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

19. Investment in subsidiaries (Continued)

a) Acquisition of subsidiaries (Continued)

SOP Foods Sdn. Bhd.

On 4 September 2014, the Group acquired 50% equity interest or 1 ordinary share in SOP Foods Sdn. Bhd. for a cash consideration of RM1.

On 10 September 2014, the Group acquired by allotment of additional 1 ordinary share in SOP Foods Sdn. Bhd. for a cash consideration of RM1.

SOPB Pte. Ltd.

On 26 May 2015, the Company acquired by allotment of additional 2,502,733 ordinary shares in SOPB Pte. Ltd. for a cash consideration of RM6,754,876.

SOP Properties (Mortgage) Sdn. Bhd.

On 26 May 2015, the Group acquired 100% equity interest or 2 ordinary shares in SOP Properties (Mortgage) Sdn. Bhd. for a cash consideration of RM2.

On 4 December 2015, the Group acquired by allotment of additional 99,998 ordinary shares in SOP Properties (Mortgage) Sdn. Bhd. for a cash consideration of RM99,998.

SOP Nutraceuticals Sdn. Bhd.

On 25 November 2015 and 30 November 2015 respectively, the Group acquired 50% equity interest or 1 ordinary share in SOP Nutraceuticals Sdn. Bhd. for a cash consideration of RM1. Consequently, SOP Nutraceuticals Sdn. Bhd. becomes a wholly owned subsidiary.

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

	Fair Value/ Carrying Amount	
	2015 RM'000	2014 RM'000
Cash and bank balances	100	-
Net identifiable assets	100	-
	2015 RM'000	2014 RM'000
The effect of the acquisitions on cash flows is as follows:		
Total cost of the business combination	100	-
Less: Cash and cash equivalents of subsidiaries acquired	(100)	-
Net cash outflow on acquisitions	-	-
<u>Goodwill arising on acquisition</u>		
Fair value of net identifiable assets	100	-
Less: Non-controlling interests	-	-
Group's interest in fair value of net identifiable assets	100	-
Goodwill on acquisition (Note 26)	-	-
Cost of business combination	100	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

19. Investment in subsidiaries (Continued)

b) Disposal of equity interest in Wawasan Asiamaju Sdn. Bhd.

On 27 October 2014, the Group disposed 4,500 ordinary shares in Wawasan Asiamaju Sdn. Bhd. for a cash consideration of RM4,500. Wawasan Asiamaju has ceased to be the subsidiary of the Group.

The disposal had the following effects on the financial position of the Group as at the end of the year:

	2015 RM'000	2014 RM'000
Other receivables	-	46
Cash and bank balances	-	54
Other payables	-	(19)
	<hr/>	<hr/>
Net identifiable assets	-	81
Less: Non-controlling interest	-	(37)
Less: Reclassification to associate	-	(40)
Total disposal proceeds	-	(5)
	<hr/>	<hr/>
Gain on disposal to the Group (Note 7)	-	(1)
	<hr/>	<hr/>
Disposal of proceeds settled by:		
Cash	-	5
	<hr/>	<hr/>
Cash outflow arising on disposal:		
Cash consideration	-	5
Cash and cash equivalents of subsidiaries disposed	-	(54)
	<hr/>	<hr/>
Net cash outflow on disposal	-	(49)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

19. Investment in subsidiaries (Continued)

c) 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 information

	SOP Plantations (Niah) Sdn. Bhd.		SOP Plantations (Balingian) Sdn. Bhd.		SOP Plantations (Borneo) Sdn. Bhd.		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current assets	55,355	56,677	44,180	45,820	123,020	126,615	222,555	229,112
Current assets	95,884	89,006	79,443	73,849	99,248	86,306	274,575	249,161
Total assets	151,239	145,683	123,623	119,669	222,268	212,921	497,130	478,273
Current liabilities	5,320	5,400	6,196	4,292	7,671	7,991	19,187	17,683
Non-current liabilities	10,823	11,697	8,675	9,013	25,464	25,974	44,962	46,684
Total liabilities	16,143	17,097	14,871	13,305	33,135	33,965	64,149	64,367
Net assets	135,096	128,586	108,752	106,364	189,133	178,956	432,981	413,906
Equity attributable to owners of the Company	108,077	102,869	87,002	85,091	160,763	152,113	355,842	340,073
Non-controlling interests	27,019	25,717	21,750	21,273	28,370	26,843	77,139	73,833

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

19. Investment in subsidiaries (Continued)

c) 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	49,138	59,544	40,502	45,842	83,345	84,725	172,985	190,111
Profit for the year, representing total comprehensive income	16,559	23,489	12,589	18,659	20,178	25,510	49,326	67,658
Total comprehensive income attributable to owners of the Company	13,247	18,791	10,071	14,927	17,151	21,684	40,469	55,402
Total comprehensive income attributable to the non-controlling interests	3,312	4,698	2,518	3,732	3,027	3,826	8,857	12,256
	16,559	23,489	12,589	18,659	20,178	25,510	49,326	67,658
Dividend paid to non- controlling interests	2,010	2,000	2,040	2,040	1,500	-	5,550	4,040

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

19. Investment in subsidiaries (Continued)

c) Non-controlling interests (Continued)

(iii) Summarised cash flows

	SOP Plantations (Niah) Sdn. Bhd.		SOP Plantations (Balingian) Sdn. Bhd.		SOP Plantations (Borneo) Sdn. Bhd.		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	18,760	17,268	19,476	12,440	30,677	21,133	68,913	50,841
Net cash from/(used in) investing activities	772	675	(666)	(615)	(1,757)	(3,111)	(1,651)	(3,051)
Net cash used in financing activities	(9,753)	(10,062)	(10,309)	(10,327)	(10,420)	(15,636)	(30,482)	(36,025)
Net increase in cash and cash equivalents	9,779	7,881	8,501	1,498	18,500	2,386	36,780	11,765
Cash and cash equivalents at beginning of the year	80,303	72,422	64,714	63,216	68,217	65,831	213,234	201,469
Cash and cash equivalents at end of the year	90,082	80,303	73,215	64,714	86,717	68,217	250,014	213,234

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

20. Investment in associates

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares, at cost	9,904	8,554	9,855	8,505
Share of post acquisition reserves	177	(351)	-	-
	10,081	8,203	9,855	8,505

Details of the associate are as follows:

Name of company	Country of incorporation	Principal activities	% of ownership interest held by the Group		Accounting model applied
			2015 %	2014 %	
Micaline Sdn. Bhd.	Malaysia	Shipping agency	45.0	45.0	Equity method
Wawasan Asiamaju Sdn. Bhd.	Malaysia	Inactive	49.5	49.5	Equity method

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

	Group	
	2015 RM'000	2014 RM'000
Assets and liabilities		
Total assets	73,324	60,284
Total liabilities	(50,964)	(42,084)
Results		
Revenue	41,315	36,225
Profit/loss for the year	1,160	(2,918)

21. Other investments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Investment in preference shares	-	-	85,600	40,600

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

22. Derivatives

Group	Contract Nominal Amount 2015 RM'000	Assets 2015 RM'000	Liabilities 2015 RM'000	Contract Nominal Amount 2014 RM'000	Assets 2014 RM'000	Liabilities 2014 RM'000
	Commodity forward contract	202,217	222	6,709	58,758	893
Interest rate swap	23,101	33	-	28,275	222	-
Forward currency contracts	16,790	10,762	7,599	395,951	-	10,934
Cash flow hedges	23,889	-	152	25,000	-	213
Total derivatives		11,017	14,460		1,115	11,147
Less: current portion		(11,017)	(14,370)		(1,115)	(10,999)
Non-current portion		-	90		-	148

a) Derivatives not designated as hedging instruments

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

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

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate bank loan amounting to RM116,000,000 (Note 28). This interest rate swap receives fixed interest equal to 3.57% (2014: 3.57%), pays a floating rate of interest of COF + 0.75% (2014: COF + 0.75%) and has the same maturity terms as the bank loan.

b) Cash flow hedges

At 31 December 2015, the Company has one interest rate swap agreement in place with notional amount of RM23,888,889 (2014: RM25,000,000) whereby the Company pays fixed rate of interest of 3.68% (2014: 3.68%) per annum and receives variable rate equal to MYR-KLIBOR-BNM on the notional amount. The interest rate swap is being used to hedge the exposure to changes in the floating interest rate of its secured loans amounting to RM45,000,000 (2014: RM45,000,000). The management considers the interest rate swaps as effective hedging instruments as the secured loans and the swaps have identical critical terms.

A net unrealised loss of RM152,000 (2014: RM213,000) and a related deferred tax asset of RM36,000 (2014: RM53,000) was included in equity.

The amount retained in equity at 31 December 2015 is expected to mature and affect the income statement during the next 5 financial years as follows:

	Group	
	2015 RM'000	2014 RM'000
Within one year	62	65
Later than 1 year but not later than 2 years	58	61
Later than 2 years but not later than 5 years	32	87
	152	213

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

23. Inventories

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cost				
Refined products	81,067	63,530	-	-
Raw materials	2,212	-	576	-
Crude palm oil and palm kernel	143,604	93,705	37,873	8,536
Nursery inventories	5,112	2,295	3,486	1,261
Stores and spares	33,599	29,426	19,814	15,980
Consumables	10,553	6,197	-	-
	276,147	195,153	61,749	25,777
Net realisable value				
Refined products	12,864	37,666	-	-
	289,011	232,819	61,749	25,777

24. Trade and other receivables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current:				
Trade receivables				
Third parties	273,462	100,623	11	114
Amount due from a subsidiary	-	-	70,718	89,115
	273,462	100,623	70,729	89,229
Other receivables				
Other receivables	47,999	20,103	8,453	3,505
Amount due from an associate	74	-	-	-
Amount due from subsidiaries	-	-	536,310	459,119
Advance payment to suppliers	10,390	8,223	-	-
Refundable deposits	9,771	29,980	3,661	8,690
GST receivables	55,236	-	6,997	-
	123,470	58,306	555,421	471,314
Total trade and other receivables	396,932	158,929	626,150	560,543
Add: Cash and bank balances (Note 27)	440,736	487,929	105,378	125,137
Total loans and receivables	837,668	646,858	731,528	685,680

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

24. 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 (2014: 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	256,907	53,239	6,971	50,581
1 to 30 days past due not impaired	8,037	44,709	19,569	38,547
31 to 60 days past due not impaired	1,296	2,515	1,167	-
61 to 90 days past due not impaired	2,354	5	1,443	-
91 to 120 days past due not impaired	1,382	105	18,489	100
More than 121 days past due not impaired	3,486	50	23,090	1
	16,555	47,384	63,758	38,648
	273,462	100,623	70,729	89,229

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 RM16,555,000 (2014: RM47,384,000) and RM63,758,000 (2014: RM38,648,000) respectively that are past due at the reporting date but not impaired.

b) Amount due from subsidiaries

Amount due from subsidiaries, net of trade and other payables due to them, bears interest at COF + 1.1% (2014: COF + 1.1%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

25. Other current assets

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Prepaid operating expenses	3,335	2,649	692	584
Progress billing in respect of property development cost	3,080	757	-	-
	6,415	3,406	692	584

26. Intangible asset

	Group	
	2015 RM'000	2014 RM'000
Goodwill		
Cost:		
At 1 January and 31 December	5,182	5,182

Carrying amount of goodwill on business acquisition is related to the acquisition of plantation operations in prior years. The Group performed its annual impairment test in December 2015 and 2014.

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a period over the age of oil palm plantations. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are 10.0% - 12.0% (2014: 10.0% - 12.0%) and 2.0% (2014: 2.0%) respectively.

Management determined budgeted profit margin based on past performance and its expectations of the market conditions. The pre-tax discount rates used reflected specific risks relating to the oil palm industry. The forecasted growth rates were based on management's estimate which did not exceed the long term average growth rate for the industry.

27. Cash and bank balances

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash at banks and on hand	116,850	171,134	14,911	19,227
Short term deposits with licensed banks	323,886	316,795	90,467	105,910
Cash and bank balances	440,736	487,929	105,378	125,137

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

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Deposits with licensed banks	3.05 - 4.00	3.05 - 3.71	3.15 - 3.75	3.05 - 3.60

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

27. Cash and bank balances (Continued)

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

	Group		Company	
	2015 Days	2014 Days	2015 Days	2014 Days
Deposits with licensed banks	30 - 90	30 - 90	30 - 90	30 - 90

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and short term deposits	440,736	487,929	105,378	125,137
Less: Bank overdraft (Note 28)	(3,500)	-	-	-
	437,236	487,929	105,378	125,137

28. Loans and borrowings

	Maturity	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current					
Secured:					
Bankers acceptances/short term loans	2016	70,318	218,250	-	-
Trust receipts	2016	123,891	-	-	-
Obligations under finance leases (Note 36(b))					
Revolving credits	2016	81,000	75,000	-	-
Term loans	2016	81,800	77,967	-	-
		364,730	380,887	4,048	4,791
Unsecured:					
Revolving credits	2016	60,200	22,200	55,200	22,200
Bank overdraft (Note 27)	On demand	3,500	-	-	-
Bankers acceptances/short term loans	2016	248,548	36,587	15,127	-
Term loans	2016	22,417	15,021	19,500	15,021
		334,665	73,808	89,827	37,221
		699,395	454,695	93,875	42,012

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

28. Loans and borrowings (Continued)

	Maturity	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current					
Secured:					
Obligations under finance leases (Note 36(b))					
	2017 - 2018	5,925	7,398	3,448	4,267
Term loans	2017 - 2022	276,980	364,769	-	-
		282,905	372,167	3,448	4,267
Unsecured:					
Revolving credits					
	2017	22,300	44,500	22,300	44,500
Term loans	2017 - 2019	97,249	60,062	40,562	60,062
		119,549	104,562	62,862	104,562
		402,454	476,729	66,310	108,829
Total loans and borrowings		1,101,849	931,424	160,185	150,841

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
On demand or within one year	699,395	454,695	93,875	42,012
Later than 1 year but not later than 2 years	141,659	134,172	44,727	44,430
Later than 2 years but not later than 5 years	235,433	299,023	21,583	64,399
Later than 5 years	25,362	43,534	-	-
	1,101,849	931,424	160,185	150,841

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 15).

Revolving credits

Revolving credits are secured by charges over certain leasehold land of the Group.

Term loans

The term loans are secured by charges over certain leasehold land of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

28. Loans and borrowings (Continued)

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

	Group	
	2015 %	2014 %
Bankers acceptances/short term loans	3.69 - 3.86	3.69 - 3.86
Bank overdraft	4.40	-
Obligations under finance leases	5.00 - 5.33	4.77 - 5.77
Term loans		
- Fixed rates	-	5.52
- Floating rates	4.26 - 5.10	4.05 - 5.24
Trust receipts	2.17	-
Revolving credits	4.54 - 5.50	3.99 - 4.92

29. Trade and other payables

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade payables				
Third parties	189,017	132,971	28,022	2,242
Amount due to subsidiaries	-	-	39,392	31,289
	189,017	132,971	67,414	33,531
Other payables				
Retention sums payable to contractors	2,591	6,213	2,591	6,213
Deposits received	997	636	23	32
Other payable and accrued operating expenses	81,906	81,946	29,777	33,296
Amount due to subsidiaries	-	-	-	2,388
	85,494	88,795	32,391	41,929
Total trade and other payables	274,511	221,766	99,805	75,460
Add: Loans and borrowings (Note 28)	1,101,849	931,424	160,185	150,841
Total financial liabilities carried at amortised cost	1,376,360	1,153,190	259,990	226,301

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

29. Trade and other payables (Continued)

a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 60 day (2014: 30 to 60 day) terms.

b) Amount due to subsidiaries

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

30. Government grant

	2015 RM	2014 RM
At 1 January	-	-
Received and receivable during the year	12,565	-
At 31 December	<u>12,565</u>	<u>-</u>
Current	391	-
Non-current	<u>12,174</u>	<u>-</u>

A government grant of RM15,630,000 has been approved to partly finance the construction of an phytonutrient plant. RM12,654,884 was received or receivable in 2015. The project is expected to be completed in 2016. There are no unfulfilled conditions or contingencies attached to this grants.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

31. Deferred tax

	As at 1 January 2014 RM'000	Recognised in profit or loss RM'000	Recognised in other compre- hensive income RM'000	As at 31 December 2014 RM'000	Recognised in profit or loss RM'000	Recognised in other compre- hensive income RM'000	As at 31 December 2015 RM'000
Group							
Deferred tax liabilities:							
Deferred tax liabilities:							
Property, plant and equipment	269,675	5,657	-	275,332	(3,251)	-	272,081
Deferred tax assets:							
Unutilised tax losses	(52,836)	(10,024)	-	(62,860)	(8,995)	-	(71,855)
Unabsorbed capital allowance and agriculture allowance	(119,835)	(11,048)	-	(130,883)	(5,561)	-	(136,444)
Fair value adjustment on cash flow hedge	(125)	-	72	(53)	-	17	(36)
Others	(5,657)	203	-	(5,454)	2,176	-	(3,278)
	(178,453)	(20,869)	72	(199,250)	(12,380)	17	(211,613)
	91,222	(15,212)	72	76,082	(15,631)	17	60,468

	As at 1 January 2014 RM'000	Recognised in profit or loss RM'000	As at 31 December 2014 RM'000	Recognised in profit or loss RM'000	As at 31 December 2015 RM'000
Company					
Deferred tax liabilities:					
Property, plant and equipment					
	31,979	1,650	33,629	631	34,260

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(64,307)	(49,057)	-	-
Deferred tax liabilities	124,775	125,139	34,260	33,629
	60,468	76,082	34,260	33,629

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

31. Deferred tax (Continued)

During the year, the Group has:

	Group	
	2015 RM'000	2014 RM'000
Unutilised tax losses	301,162	259,789
Unabsorbed capital allowances	120,240	147,270
Unabsorbed agriculture allowance	443,916	430,005
	865,318	837,064

The unutilised tax losses, unabsorbed capital allowances and unabsorbed agriculture allowance of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act 1967 and guidelines issued by the tax authority.

32. Share capital and share premium

	Number of Ordinary Shares of RM1 Each Share Capital (Issued and Fully Paid) '000	Share Capital (Issued and Fully Paid) RM'000	Amount Share Premium RM'000	Total Share Capital and Share Premium RM'000
At 1 January 2014	438,253	438,253	11,423	449,676
Ordinary shares issued during the year:				
Pursuant to exercise of ESOS	1,245	1,245	1,937	3,182
Transfer from employee share option reserve arising from exercise of ESOS	-	-	1,296	1,296
At 31 December 2014 and 1 January 2015	439,498	439,498	14,656	454,154
Ordinary shares issued during the year:				
Pursuant to exercise of ESOS	1,809	1,809	800	2,609
Transfer from employee share option reserve arising from exercise of ESOS	-	-	1,268	1,268
At 31 December 2015	441,307	441,307	16,724	458,031

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

32. Share capital and share premium (Continued)

	Number of Ordinary Shares of RM1 Each		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
Authorised share capital				
At 1 January and 31 December	5,000,000	5,000,000	5,000,000	5,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

33. Employee share option reserve

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	5,206	4,271	5,206	4,271
Share options granted under ESOS				
Recognised in profit or loss	2,253	2,231	1,297	1,302
Charged to subsidiaries	-	-	956	929
Transfer to Share Premium arising from exercise of ESOS	(1,268)	(1,296)	(1,268)	(1,296)
At 31 December	6,191	5,206	6,191	5,206

The employee share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

34. Other reserves

Group	Hedge Reserve RM'000	Foreign Currency Translation Reserve RM'000	Total RM'000
At 1 January 2014	(377)	1	(376)
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	29	29
Fair value adjustment on cash flow hedge	217	-	217
At 31 December 2014 and 1 January 2015	(160)	30	(130)
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	1,699	1,699
Fair value adjustment on cash flow hedge	44	-	44
At 31 December 2015	(116)	1,729	1,613

Hedge reserve

The hedge reserve represents the cumulative fair value changes, net of tax, of the interest rate swap designated as 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.

The exchange rates used for translation of Ringgit Malaysia transactions and balances in the accounts are as follows:

	2015 RM'000	2014 RM'000
United States Dollar		
Income statement (average rate)	4.14950	3.2812
Balance sheet (period end rate)	4.29350	3.4966

35. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2015 under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

36. Commitments

a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital expenditure:				
Approved and contracted for:				
Plantation development expenditure	-	399	-	-
Property, plant and equipment	30,516	91,451	6,643	16,330
	<u>30,516</u>	<u>91,850</u>	<u>6,643</u>	<u>16,330</u>
Approved but not contracted for:				
Plantation development expenditure	11,977	5,911	1,171	-
Property, plant and equipment	110,186	74,897	64,645	31,913
	<u>122,163</u>	<u>80,808</u>	<u>65,816</u>	<u>31,913</u>
	<u>152,679</u>	<u>172,658</u>	<u>72,459</u>	<u>48,243</u>

b) Finance lease commitments

The Group has finance leases for certain items of plant and machinery and motor vehicles (Note 15). 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Minimum lease payments				
Not later than 1 year	8,227	10,294	4,335	5,132
Later than 1 year but not later than 2 years	5,075	5,413	3,022	2,880
Later than 2 years but not later than 5 years	1,037	2,273	529	1,568
	<u>14,339</u>	<u>17,980</u>	<u>7,886</u>	<u>9,580</u>
Less: Amounts representing finance charges	(693)	(912)	(390)	(522)
	<u>13,646</u>	<u>17,068</u>	<u>7,496</u>	<u>9,058</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

36. Commitments (Continued)

b) Finance lease commitments (Continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Present value of payments:				
Not later than 1 year	7,721	9,670	4,048	4,791
Later than 1 year but not later than 2 years	4,903	5,172	2,927	2,730
Later than 2 years but not later than 5 years	1,022	2,226	521	1,537
Present value of minimum lease payments	13,646	17,068	7,496	9,058
Less: Amount due within 12 months (Note 28)	(7,721)	(9,670)	(4,048)	(4,791)
Amount due after 12 months (Note 28)	5,925	7,398	3,448	4,267

37. 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	
	2015 RM'000	2014 RM'000
Significant transactions with subsidiaries		
Purchase of fresh fruit bunches	323,483	334,517
Purchase of goods	16,137	33,462
Sale of seedlings and consumables	(7)	(835)
Sale of goods and services	(821,558)	(967,857)
Sale of property, plant and equipment	(1,136)	(2,173)
Purchase of property, plant and equipment	50	407
Interest expenses recharged	(20,810)	(17,301)
Management fees	(200)	(200)
Other income	(8,716)	(8,206)
Other services	1,852	623
Rental charges	128	180

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

37. Related party transactions (Continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 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	156,227	140,307	3,104	5,065
Purchase of fresh fruit bunches	41,895	41,751	41,895	41,751
Sales of goods and services	-	(106)	-	-
Transportation charges	5,695	2,281	-	-

38. Employee benefits

Employee Share Options Scheme ("ESOS")

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

The salient features of the ESOS are as follows:

- (i) The Option Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.
- (ii) Subject to the discretion of the Option Committee, any employee who has been employed for at least one year and whose employment has been confirmed is eligible to participate in the ESOS. Directors of the Group are not eligible to participate in the Proposed ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 6.32% of the issued and paid up share capital of the Company during the tenure of the ESOS. The aggregate allocation of options to the senior management of the Group shall not exceed 50% of the total number of shares to be issued under the ESOS. In addition, not more than 10% of the shares available under the ESOS are to be allocated to any eligible employee who, either singly or collectively through persons connected to the eligible employee, holds 20% or more in the issued and paid up share capital of the Company.
- (iv) The option price for each share shall be the higher of (a) at a discount of not more than 10% from the 5-day weighted average market price of the shares of the Company as shown in the daily official list issued by Bursa Securities immediately preceding the date on which the option is granted or (b) the par value of the shares of the Company.
- (v) The options shall be exercisable only by the employee during his lifetime and in employment of the Group and within the option period, subject to a maximum percentage of options exercisable in each year over a period up to 10 years.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the then existing ordinary shares of the Company except that the shares so issued shall not be entitled for any dividends, rights, allotments or other distributions to shareholders the entitlement date of which is prior to the date of allotment of the shares.
- (vii) The options shall not carry any right to vote at a general meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

38. Employee benefits (Continued)

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

(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:

	2015	2014
Fair value of share options at the following grant dates (RM):		
12 March 2015	4.96	-
12 March 2014	-	5.50
Weighted average share price (RM)	4.95	6.61
Weighted average exercise price (RM)	3.43	2.63
Expected volatility (%)	24.03	24.32
Expected life (years)	5	5
Risk free rate (%)	3.35	3.15
Expected dividend yield (%)	0	0

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

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

	Outstanding	Movements during the year				Outstanding	Exercisable
	1 January	Granted	Exercised	Forfeited	Expired	31 December	31 December
	'000	'000	'000	'000	'000	'000	'000
2015							
2015 options	-	637	-	(16)	-	621	289
2014 options	666	-	-	(38)	-	628	394
2013 options	539	-	-	(68)	-	471	318
2012 options	794	-	(5)	(81)	-	708	548
2011 options	301	-	(51)	(65)	-	185	140
2010 options	808	-	(141)	(76)	-	591	355
2009 options	244	-	(77)	(43)	-	124	155
2008 options	50	-	(40)	-	-	10	196
2007 options	3,611	-	(1,494)	(81)	-	2,036	1,468
WAEP	2.63	4.96	1.44	3.44	-	3.43	3.10
2014							
2014 options	-	742	(12)	(64)	-	666	202
2013 options	717	-	(134)	(44)	-	539	192
2012 options	978	-	(103)	(81)	-	794	405
2011 options	433	-	(107)	(25)	-	301	103
2010 options	1,080	-	(256)	(16)	-	808	266
2009 options	355	-	(103)	(8)	-	244	128
2008 options	165	-	(115)	-	-	50	221
2007 options	4,026	-	(415)	-	-	3,611	2,478
WAEP	2.41	5.50	2.56	4.77	-	2.63	2.26

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

38. Employee benefits (Continued)

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

Grant date	WAEP RM	Exercised Period
2015	3.43	12.3.2015 - 11.3.2017
2014	2.63	12.3.2014 - 11.3.2017
2013	2.41	12.3.2013 - 11.3.2017
2012	2.12	11.3.2012 - 11.3.2017
2011	1.65	12.3.2011 - 11.3.2017
2010	1.56	9.6.2010 - 11.3.2017
2009	1.41	12.3.2009 - 11.3.2017
2008	1.37	12.3.2008 - 11.3.2017
2007	2.91	12.3.2007 - 11.3.2017

(ii) Share options exercised during the year

Option exercised during the financial year resulted in the issuance of 1,808,350 (2014: 1,245,100) ordinary shares at an average price of RM1.44 (2014: RM2.56) each. The related weighted average share price at the date of exercise was 4.95 (2014: RM6.61).

39. 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial liabilities:				
Group				
Interest-bearing loans and borrowings				
- Obligations under finance leases	5,925	7,398	5,869	7,543
<hr/>				
Company				
Interest-bearing loans and borrowings				
- Obligations under finance leases	3,448	4,267	3,415	4,199
<hr/>				

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

39. Fair value of financial instruments (Continued)

(a) Fair values of financial instruments not carried at fair value (Continued)

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	24
Trade and other payables	29
Loan and borrowings	28

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

40. Fair value measurement

Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

40. Fair value measurement (Continued)

Fair value hierarchy (Continued)

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

Quantitative disclosures fair value measurement hierarchy for asset 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 2015				
Assets for				
Derivatives				
- Interest rate swap	-	33	-	33
- Forward currency contracts - US dollar	-	10,762	-	10,762
- Derivatives commodity forward contracts	-	222	-	222
<hr/>				
Liabilities for				
Interest-bearing loans and borrowings				
- Obligations under finance leases	-	5,869	-	5,869
- Forward currency contracts - US dollar	-	7,599	-	7,599
- Derivatives commodity forward contracts	-	6,709	-	6,709
<hr/>				
31 December 2014				
Assets for				
Derivatives				
- Interest rate swap	-	222	-	222
- Derivatives commodity forward contracts	-	893	-	893
<hr/>				
Liabilities for				
Interest-bearing loans and borrowings				
- Obligations under finance leases	-	7,543	-	7,543
- Forward currency contracts - US dollar	-	10,934	-	10,934
<hr/>				
Company				
31 December 2015				
Liabilities for				
Interest-bearing loans and borrowings				
- Obligations under finance leases	-	3,415	-	3,415
Derivatives commodity forward contracts	-	69	-	69
<hr/>				
31 December 2014				
Liabilities for				
Interest-bearing loans and borrowings				
- Obligations under finance leases	-	4,199	-	4,199
Derivatives commodity forward contracts	-	-	-	-
<hr/>				

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

41. Financial risk management objectives and policies

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

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

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

(a) Credit risk

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

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

Exposure to credit risk

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

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 24.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 24.

Corporate financial guarantees

The Company provides corporate financial guarantees to financial institutions on subsidiaries' bank loans at a total nominal amount of RM682,750,000 (2014: RM473,950,000).

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

41. Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

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 2015				
Financial liabilities:				
Trade and other payables, excluding financial guarantees*	274,511	-	-	274,511
Loans and borrowings	715,666	410,238	25,622	1,151,526
Total undiscounted financial liabilities	990,177	410,238	25,622	1,426,037

At 31 December 2014

Financial liabilities:				
Trade and other payables, excluding financial guarantees*	221,766	-	-	221,766
Loans and borrowings	478,923	470,534	63,031	1,012,488
Total undiscounted financial liabilities	700,689	470,534	63,031	1,234,254

Company	On demand or within 1 year RM'000	Between 1 to 5 years RM'000	Total RM'000
At 31 December 2015			
Financial liabilities:			
Trade and other payables, excluding financial guarantees*	99,805	-	99,805
Loans and borrowings	98,352	69,107	167,459
Total undiscounted financial liabilities	198,157	69,107	267,264

At 31 December 2014

Financial liabilities:			
Trade and other payables, excluding financial guarantees*	75,460	-	75,460
Loans and borrowings	48,415	115,370	163,785
Total undiscounted financial liabilities	123,875	115,370	239,245

* At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as no default has occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

41. Financial risk management objectives and policies (Continued)

(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 RM729,000 (2014: RM339,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

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

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

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

Sensitivity analysis for foreign currency risk

The sensitivity of the Group's profit net of tax to a reasonable possible change in the USD exchange rates against the functional currency of the Group and of the Company, with all other variables held constant:

	Group		Company	
	Profit net of tax		Profit net of tax	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
USD/RM - strengthen by 5%	982	1,765	112	91
USD /RM - weaken by 5%	(982)	(1,765)	(112)	(91)

(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 balance sheet date, a 5% (2014: 5%) increase/decrease of the commodity price indices, with all other variables held constant, would have increased/decrease profit before tax by RM10,784,000 (2014: RM863,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

42. 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 2015 and 31 December 2014.

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans and borrowings	28	1,101,849	931,424	160,185	150,841
Total equity		1,499,868	1,428,906	1,433,180	1,350,785
Gearing ratio		73.46%	65.18%	11.18%	11.17%

43. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- I. Oil palm
- II. Property development

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs recognised in profit or loss) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

43. Segment information (Continued)

	Oil Palm		Property development		Adjustments and eliminations		Per consolidated financial statements	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM
Revenue:								
External customers	3,661,087	2,874,718	9,700	-	-	-	3,670,787	2,874,718
Inter-segment	2,170,065	1,397,790	-	-	(2,170,065)	(1,397,790)	-	-
Total revenue	5,831,152	4,272,508	9,700	-	(2,170,065)	(1,397,790)	3,670,787	2,874,718
Results:								
Interest income	34,084	31,431	51	-	(20,866)	(17,302)	13,269	14,129
Depreciation and amortisation	104,929	91,308	310	-	2,881	2,737	108,120	94,045
Fair value (gain)/loss on derivatives	(6,582)	8,182	-	-	-	-	(6,582)	8,182
Other non-cash expenses	2,588	2,338	6	-	-	-	2,594	2,338
Segment (loss)/profit	146,826	170,002	(167)	-	(22,897)	(9,866)	123,762	160,136
Assets:								
Investment in an associate	9,854	8,554	50	-	177	(351)	10,081	8,203
Additions to non-current assets	118,431	179,230	484	-	(281)	(1,550)	118,634	177,680
Segment assets	3,725,544	3,266,189	69,720	-	(764,851)	(546,262)	3,030,413	2,719,927
Segment liabilities	2,253,898	1,927,357	69,721	-	(793,074)	(636,336)	1,530,545	1,291,021

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

43. 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	2015 RM'000	2014 RM'000
Share options granted under ESOS	11	2,253	2,232
Property, plant and equipment written off	10	341	86
Inventories written off	10	-	20
		2,594	2,338

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:

	2015 RM'000	2014 RM'000
Dividend from subsidiaries	(24,700)	(16,860)
Profit from inter-segment sales	3,354	9,855
Finance costs	281	1,550
Share of results of an associate	528	(1,311)
Unallocated corporate expenses	(2,360)	(3,100)
	(22,897)	(9,866)

D Additions to non-current assets consist of:

Property, plant and equipment	107,359	155,964
Plantation development expenditure	10,907	21,382
Land use rights	368	334
	118,634	177,680

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

43. Segment information (Continued)

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

	2015 RM'000	2014 RM'000
Investment in an associate	177	(351)
Inter-segment assets	(765,028)	(545,911)
	<u>(764,851)</u>	<u>(546,262)</u>

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

	2015 RM'000	2014 RM'000
Deferred tax liabilities	29,613	29,159
Inter-segment liabilities	(822,687)	(665,495)
	<u>(793,074)</u>	<u>(636,336)</u>

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	1,993,270	2,836,351	1,737,508	1,729,568
Singapore	1,677,517	38,367	442	380
	<u>3,670,787</u>	<u>2,874,718</u>	<u>1,737,950</u>	<u>1,729,948</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

43. Segment information (Continued)

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

	2015	2014
	RM'000	RM'000
Property, plant and equipment	1,170,276	1,143,530
Plantation development expenditure	556,008	575,033
Land use rights	4,902	4,621
Land held for property, development	6,764	6,764
Deferred tax assets	64,307	49,057
Investment in an associate	10,081	8,203
Goodwill on consolidation	5,182	5,182
	1,817,520	1,792,390

44. Dividends

	Group/Company	
	2015	2014
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
Final dividend for 2014:		
5 Sen (2013: 5 Sen) per share	21,997	21,963
	21,997	21,963
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 2015:		
5 Sen (2014: 5 Sen) per share	22,065	21,975
	22,065	21,975

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

45. Contingent liabilities

Details of contingent liabilities are as follows:

- (a) A subsidiary of the Group is currently one of the defendants in a lawsuit brought by a party claiming a declaration that the plaintiffs have acquired and created Native Customary Rights over a parcel of land of 5,765 hectares currently occupied by the subsidiary as the registered owner.

The High Court made a judgement on 8 August 2014, and the area affected was insignificant. The plaintiffs appealed against the Judgement of the High Court and similarly the subsidiary had filed a cross-appeal against the same judgement.

The Court of Appeal has fixed to hear the appeals on 23 June 2016.

The Directors believe that the subsidiary has valid defences against the allegation and, accordingly, no provision has been made for any claim arising from the litigation.

- (b) Another subsidiary of the Group is currently one of the defendants in a lawsuit brought by a party alleging that the subsidiary has used, planted and trespassed into the plaintiffs' lands of approximately 653 hectares without consent.

In June 2014, the Plaintiffs and Defendants have reached an out of court settlement and the Plaintiffs' counsel had withdrawn the case with no liberty to file afresh.

46. Significant event

On 1 March 2014, the Company has entered into the conditional share sales agreement and conditional sales and purchase agreement for the acquisition of the following:

- (a) 60% equity interest in DD Pelita Sebungan Plantation Sdn. Bhd. and Mutiara Pelita Genaan Plantation Sdn. Bhd. from Double Dynasty Sdn. Bhd. and Mutiara Hartabumi Sdn. Bhd. respectively for an aggregate purchase consideration of RM134,900,000, together with the proposed procurement of the rights to develop an additional up to 8,000 hectares of land into oil palm plantations for a procurement consideration of up to RM28,000,000; and
- (b) 34.9 hectares of land, earmarked for a palm oil mill, located at Bintulu, Sarawak, from DD Palm Oil Mills Sdn. Bhd., Ting Chek Ing and Lee Ka Ming for a purchase consideration of approximately RM4,300,000.

On 1st December 2014, the Company received a letter from vendor's advocates informing that the Vendors were unable to obtain consent from the Ministry of Land Development, Sarawak for the sale and transfer of their sale shares, which is one of the conditional share sales agreement's ("CSSA") condition precedent and that the vendors were giving notice to rescind the CSSA. As the conditional sales and purchase agreement ("CSPA") is conditional upon the completion of the CSSA, the CSPA would also be rescinded.

The vendors and the Company has on 21 April 2015 entered into Deed of Rescission to rescind both CSSA and CSPA.

47. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 27 April 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2015

48. Supplementary information - breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Recognised during the financial year:				
Total retained earnings of the Company and its subsidiaries:				
- Realised	1,003,202	924,314	1,002,664	924,905
- Unrealised	(65,253)	(52,820)	(33,706)	(33,480)
Retained earnings as per financial statements	937,949	871,494	968,958	891,425

PROPERTIES OF THE GROUP

AS AT 31 DECEMBER 2015

Location of Property Sarawak	Year of Acquired/ Revaluation	Tenure	Year of Expiry	Size Hectares	Description Net	Book Value As at 31 Dec 2015	Age of Building (Years)	
1	Kebuloh Estate, Miri	1971-1972	Leasehold 87 to 97 years	2067	1,841	Oil Palm Estate & Oil Palm Mill		
2	Luak Estate, Miri	1977-1980	Leasehold 87 to 97 years	2067	2,785	Oil Palm Estate		
3	Telabit Estate, Miri	1989	Leasehold 99 years	2085	2,762	Oil Palm Estate	323,857	1 to 35
4	Pinang Estate, Miri	1991	Leasehold 99 years	2090	1,296	Oil Palm Estate		
5	Galasah Estate, Miri	1989	Leasehold 99 years	2084	1,907	Oil Palm Estate & Oil Palm Mill		
6	Balingian Estate 1, Balingian	1997	Leasehold 60 years	2057	1,679	Oil Palm Estate & Oil Palm Mill	44,181	1 to 17
	Balingian Estate 2, Balingian	1999	Leasehold 60 years	2059	2,298	Oil Palm Estate		
7	Sengah/Tibus Estate, Miri	2003-2004	Leasehold 60 years	2063-2064	1,499	Oil Palm Estate		
8	Lamaus Estate, Miri	2003-2004	Leasehold 60 years	2063-2064	3,287	Land under Oil Palm Development	65,526	1 to 18
9	Suai Estate, Miri	2004	Leasehold 60 years	2064	3,337	Land under Oil Palm Development		
10	Niah Estate, Miri	1999	Leasehold 60 years	2059	5,000	Oil Palm Estate	55,355	1 to 15
11	Taniku Estate, Miri	2003	Leasehold 60 years	2058	4,858	Oil Palm Estate	123,020	1 to 19
12	Sepakau Estate, Belaga	2003	Leasehold 60 years	2059	9,030	Land Under Oil Palm Development & Oil Palm Mill		
13	Karabungan Estate	2005	Leasehold 60 years	2058	2,023	Oil Palm Estate	30,277	1 to 10
14	Tatau Estate	2008	Leasehold 99 years	2103	3,840	Oil Palm Estate		
15	Sebungan Estate	2006	Leasehold 99 years	2103	1,646	Oil Palm Estate	198,010	1 to 8
16	Lavang Estate	2006	Leasehold 99 years	2104	4,878	Oil Palm Estate & Oil Palm Mill		
17	Tinbarap Estate	2007	Leasehold 99 years	2105	12,910	Oil Palm Estate & Oil Palm Mill	174,964	1 to 8
18	Batu Lintang, Sri Aman	2008	NCR Native Land 60 years	NA	2,326	Land Under Oil Palm Development	53,537	1 to 8
19	Sabaju Estate	2010	Leasehold 99 years	2114	4,011	Land Under Oil Palm Development	75,244	1 to 5
20	POIC, Bintulu	2012	Leasehold 60 years	2074	41	Palm Oil Refinery, Fractionation, Palm Kernel Crushing Plant Biodiesel Plant & Consumer packaging plant & other amenities	312,528	1 to 4
21	Land- Kuching/Miri	2007-2012	Leasehold 60 to 99 years	2038 -2067	43	Future Development Land, On-going Commercial and Residential Development	21,214	-

SARAWAK OIL PALMS BERHAD GROUP



ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2016

SHARE CAPITAL

Authorised	:	5,000,000,000 Ordinary Shares of RM1.00 each
Issued and Fully Paid	:	441,521,309
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	177	4.81	2,598	0.00
100 – 1,000	808	21.94	505,530	0.11
1,001 – 10,000	2,001	54.35	7,970,954	1.81
10,001 – 100,000	560	15.21	16,300,601	3.69
100,001 to less than 5% of issued shares	130	3.53	93,270,586	21.12
5% and above of issued shares	6	0.16	323,471,040	73.26
TOTAL	3,682	100.00	441,521,309	100.00

Substantial Shareholders

	No. of Shares Held	% of Issued Capital
1. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	126,294,214	28.60
2. PELITA HOLDINGS SDN BHD	89,704,389	20.32
3. CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	41,515,166	9.40

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	31,069,808	7.04	-	-
Ling Chiong Sing	-	-	-	-
Ling Lu Kuang	-	-	-	-
Tang Tiong Ing	42,880	0.01	-	-
Hasbi Bin Suhaili	-	-	-	-
Gerald Rentap Jabu	1,000	Negligible	-	-
Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
Dr. Lai Yew Hock, Dominic	-	-	39,400	0.01
Wong Ngie Yong	-	-	20,000	Negligible
Kamri Bin Ramlee	-	-	-	-

THIRTY LARGEST SHAREHOLDERS

AS AT 31 MARCH 2016

	NAME	No. of Shares	Shares %
1	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	103,064,478	23.44
2	PELITA HOLDINGS SDN BHD	89,704,389	20.32
3	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	41,515,166	9.40
4	STATE FINANCIAL SECRETARY SARAWAK	34,887,463	7.90
5	LING CHIONG HO	31,069,808	7.04
6	SHIN YANG PLANTATION SDN BHD	23,229,736	5.26
7	UOBM NOMINEES (ASING) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR PERRA GROUP LIMITED	14,044,400	3.18
8	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH (A/C CLIENTS-FGN)	9,778,400	2.21
9	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED	8,748,600	1.98
10	PEKAN MEGAH SDN BHD	5,823,360	1.32
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WONG ING YUNG (PB)	3,086,300	0.70
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	2,813,800	0.64
13	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG AIIAMAN GROWTH FUND (4207)	2,252,400	0.51
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (SHAREHLDR'S FD)	1,992,400	0.45
15	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIONG HOLDINGS SDN BHD	1,975,000	0.45
16	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,755,240	0.40
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)	1,676,400	0.38
18	CIMB COMMERCE TRUSTEE BERHAD PUBLIC FOCUS SELECT FUND	1,617,600	0.37
19	WONG HEE KWONG	1,617,000	0.37
20	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	1,367,000	0.31
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (KIB)	1,155,600	0.26
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT – HW FLEXI FUND (270519)	1,113,300	0.25
23	ADINAMAJU SDN BHD	1,024,660	0.23
24	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	993,500	0.23
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD (DANA EKT PRIMA)	861,300	0.20
26	CITIGROUP NOMINEES (ASING) SDN BHD CEP FOR PHEIM SICAV-SIF	835,100	0.19
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	760,800	0.17
28	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD ASIAN ISLAMIC INVESTMENT MANAGEMENT SDN BHD LEMBAGA TABUNG HAJI	759,000	0.17
29	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	750,100	0.17
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA TAKAFUL BERHAD (ANNUITY PIF EQ)	718,400	0.16

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 48th Annual General Meeting of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 24 June 2016 at 10.00 am for the following purposes:-

AGENDA

- 1 To receive and adopt the annual accounts for the year ended 31st December 2015 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
- 2 To declare a Final Dividend in respect of the financial year ended 31st December 2015 as recommended by the Directors. **(Resolution 2)**
- 3 To approve payment of Directors' fees in respect of the financial year ended 31st December 2015. **(Resolution 3)**
- 4 To re-elect the following Directors who retire pursuant to Article 95 and 101 of the Company's Articles of Association and being eligible, offer themselves for re-election.
 - (a) Tang Tiong Ing **(Resolution 4)**
 - (b) Gerald Rentap Jabu **(Resolution 5)**
 - (c) Kamri bin Ramlee **(Resolution 6)**
- 5 To appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the Board of Directors to fix their remuneration. **(Resolution 7)**
- 6 **As Special Businesses**
To consider and, if thought fit, to pass the following ordinary resolutions:-
 - (i) Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

 "THAT approval be and is hereby given to Directors who has served as an Independent Non-Executive Director of the Company for a cumulative form of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company."

 - (a) Dr. Lai Yew Hock, Dominic **(Resolution 8)**
 - (b) Mr. Wong Ngie Yong was appointed as Director of the company since 15 June 2001 and had been serving the Company for more than 14 years. He is now sixty-five years old and will not seek for re-election.
 - (ii) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature **(Resolution 9)**

 "THAT, subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into Recurrent Related Party Transactions of a revenue or trading nature with those Related Parties as stated in Section 2.2 of the Circular to Shareholders dated 17 May 2016 which are necessary for its day-to-day operations subject further to the following: -
 - a) That the transactions are in the ordinary course of business and are made on an arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those available to the public and not to the detriment of the minority shareholders; and
 - b) That disclosure will be made in the annual report of the Company of the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year based on information such as the type of the Recurrent Transactions made and the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- 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 143(1) of the Companies Act, 1965 (“Acts”) but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
 - (iii) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier;

7 To transact any other business for which due notice shall be given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final single tier dividend of 5% for the financial year ended 31 December 2015 will be payable on 22 July 2016 to Depositors registered in the Records of Depositors at the close of business on 30 June 2016.

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

- (a) Shares deposited into Depositor’s Securities Account before 12:30pm on 28 June 2016. (In respect of shares which are exempted from mandatory deposit)
- (b) Shares transferred into the Depositor’s Securities Account before 4:00pm on 30 June 2016 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

29 April 2016

Notes:-

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

Ordinary Resolution No. 6(i): Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012

 - (a) Dr. Lai Yew Hock, Dominic

The Nomination Committee has assessed the independence of Dr. Lai Yew Hock, Dominic who has served as an Independent Non-Executive Director of the Company for a term of sixteen years and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:

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

Ordinary Resolution No. 6(ii): Proposed Shareholders’ Mandate for Recurrent Related Party Transactions of a revenue or trading nature:

If passed, will authorize the Company and/or its subsidiary companies to enter into Recurrent Related Party Transactions of revenue or trading nature. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Please refer to the Circular to Shareholders dated 17 May 2016 for more information.

6. Depositors who appear in the Record of Depositors as at 20 June 2016 shall be regarded as member of the Company entitled to attend the Forty-Eighth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

STATEMENT ACCOMPANYING NOTICE

OF THE FORTY-EIGHTH ANNUAL GENERAL MEETING OF SARAWAK OIL PALMS BERHAD

1. Directors who are standing for Re-election

- | | | |
|-----|--------------------|----------------|
| (a) | Tang Tiong Ing | (Resolution 4) |
| (b) | Gerald Rentap Jabu | (Resolution 5) |
| (c) | Kamri bin Ramlee | (Resolution 6) |

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 9 to 10 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 8) |
|-----|---------------------------|----------------|

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	3/5
Ling Lu Kuang	27/06/2008	4/5
Tang Tiong Ing	16/06/1995	5/5
Hasbi Bin Suhaili	26/08/2005	5/5
Gerald Rentap Jabu	24/05/2000	5/5
Dr Lai Yew Hock, Dominic	24/02/2000	5/5
Wong Ngie Yong	15/06/2001 (Resigned on 29 February 2016)	4/5
Kamri Bin Ramlee	01/04/2011	5/5
Fong Yoo Kaw @ Fong Yee Kow, Victor	28/04/2014	4/5

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

4. Details of the Board of Directors' Meeting held

Five Board Meetings were held during the year.

Board Meeting	Time	Place
25 February 2015	10.00 a.m	Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak
29 April 2015	2.30 p.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
25 June 2015	11.00 a.m	Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak
27 August 2015	10.00 a.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak
27 November 2015	8.30 a.m	Conference Room of SOPB, No.124-126, Jalan Bendahara, Miri, Sarawak

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

No individual is seeking election as Director at the Forty-Eighth Annual General Meeting of the Company.

Form of Proxy

SARAWAK OIL PALMS BERHAD

(Company No.7949-M)
(Incorporated in Malaysia)

No of ordinary shares held

I/We _____

of _____

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

of _____

or failing him _____

of _____

as *my/our proxy to vote for* me/us and on* my/our behalf at the Forty-Eighth Annual General Meeting of the Company to be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 24 June 2016 at 10.00 am and, at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Annual General Meeting as indicated with an "X" in the appropriate spaces.

NO.	RESOLUTIONS	FOR	AGAINST
1	Adoption of Accounts and Reports of Directors and Auditors		
2	Declaration of Final Dividend		
3	Approval of Directors' fees		
4	Re-election of retiring director: Tang Tiong Ing		
5	Re-election of retiring director: Gerald Rentap Jabu		
6	Re-election of retiring director: Kamri bin Ramlee		
7	Appointment of Auditors		
SPECIAL BUSINESSES			
8	Continuation of terms in office of Dr. Lai Yew Hock, Dominic as Independent Non-Executive Director		
9	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 2016

.....
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 in stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) proxy, the proportion of his shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Pursuant to paragraph 7.22 of the Listing Requirements of the Bursa Malaysia Berhad, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. The instrument appointing a proxy or proxies shall be in writing (in the common and usual form) under the hand of the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an office or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at either of the following offices not less than forty-eight (48) hours before the time appointed for the holding of the meeting:
 - a) The Office at the Share Registrars, Symphony Share Registrars Sdn. Bhd. At Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46 47301 Petaling Jaya, Selangor.
 - b) The Registered Office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. Depositors who appear in the Record of Depositors as at 20 June 2016 shall be regarded as member of the Company entitled to attend the Forty-Eighth 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

Please fold here

Reinventing Family's *Healthy Lifestyle*



CHOOSE HEALTH, CHOOSE MERRIS.

Merris is a specially produced cooking oil from high quality feed. It has a stringent process control to ensure quality refining, deodorizing and fractionation. Merris cooking oil is the oil of choice for households as it is of high quality, has high content of Vitamin E, cholesterol free, trans fat free and enduring cooking abilities.





SARAWAK OIL PALMS BERHAD (7949-M)
No.124-126, Jalan Bendahara
98000 Miri, Sarawak