RIMBUNAN SAWIT BERHAD
691393-U

2017
ANNUAL REPORT

SUSTAINING WELLNESS

CONTENTS

VISION & MISSION

VISION

To be progressive plantation and agri-business group

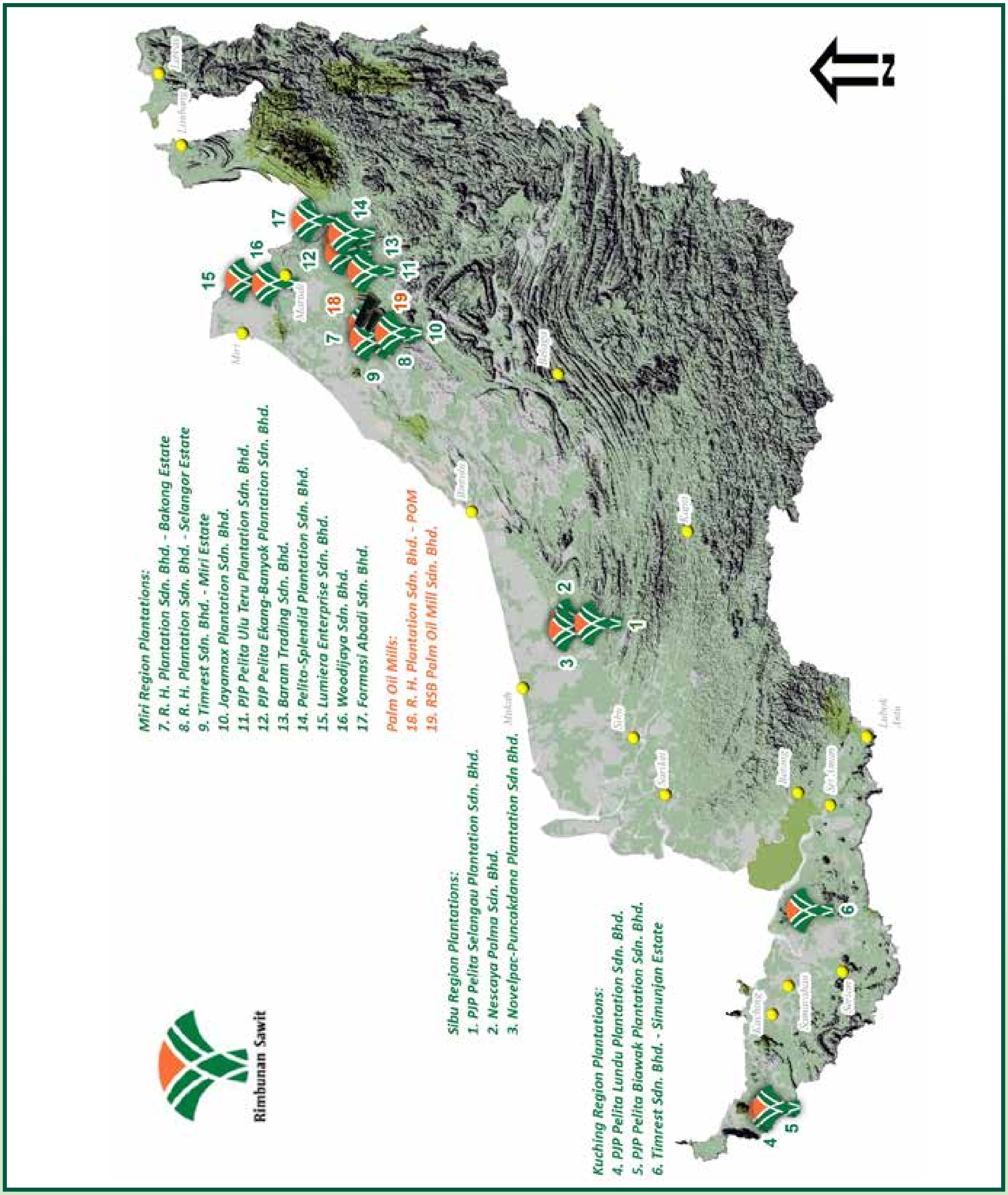
MISSION

- To enhance stakeholders' values.
- To provide high quality products and services to our customers.
- To provide job opportunities and lifelong learning opportunities at the workplace and local community.

CORPORATE VALUES:

1. Quality (both our products and services)
2. Integrity
3. Teamwork
4. Family values
5. Result-oriented

LOCATIONS OF OPERATIONS



CORPORATE STRUCTURE

- **RIMBUNAN SAWIT BERHAD**
  - **PALM OIL SECTOR**
    - **PLANTATION**
      - 100% JAYAMAX PLANTATION SDN BHD
      - 100% NESCAYA PALMA SDN BHD
        - 100% FORMASI ABADI SDN BHD
      - 100% NOVELPAC-PUNCAKDANA PLANTATION SDN BHD
      - 100% TIMREST SDN BHD
      - 100% WOODIJAYA SDN BHD
      - 100% LUMIERA ENTERPRISE SDN BHD
      - 85% BARAM TRADING SDN BHD
      - 85% PJP PELITA BIAWAK PLANTATION SDN BHD
      - 70% PELITA-SPLENDID PLANTATION SDN BHD
      - 60% PJP PELITA EKANG-BANYOK PLANTATION SDN BHD
      - 60% PJP PELITA LUNDU PLANTATION SDN BHD
      - 60% PJP PELITA SELANGAU PLANTATION SDN BHD
      - 60% PJP PELITA ULU TERU PLANTATION SDN BHD
      - 100% R. H. PLANTATION SDN BHD
    - **MILL**
      - 100% RSB PALM OIL MILL SDN BHD
      - 100% RSB LUNDU PALM OIL MILL SDN BHD
  - **OTHERS**
    - 100% RAJANG AGRISUPPLIES SDN BHD
    - 100% RAJANG BUILDERS SDN BHD
    - 100% RAKANTAMA SDN BHD
    - 100% RIMBUNAN SAWIT MANAGEMENT SERVICES SDN BHD
    - 100% TOPLINE SYNERGY SDN BHD
    - 85% BURUNG TIONG HELICOPTER SDN BHD

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tiong Chiong Ong
(Chairman/
Non-Independent Non-Executive Director)

Tiong Kiong King
(Vice Chairman/
Non-Independent Non-Executive Director)

**Tan Sri Datuk Sir Diong Hiew King
@ Tiong Hiew King**
(Executive Director)

Dato' Jin Kee Mou
(Chief Executive Officer)

Tiong Chiong Ie
(Non-Independent Non-Executive Director)

Bong Wei Leong
(Independent Director)

Tiong Ing Ming
(Independent Director)

COMPANY SECRETARIES

Toh Ka Soon (MAICSA 7031153)

Voon Jan Moi (MAICSA 7021367)

REGISTERED OFFICE

North Wing, Menara Rimbunan Hijau
101, Pusat Suria Permata,
Jalan Upper Lanang
96000 Sibu, Sarawak
Tel: 084-218555
Fax: 084-219555
E-mail: rsb@rsb.com.my
Website: www.rsb.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-78418000
Fax: 03-78418152

AUDITORS

Crowe Horwath (AF: 1018)
Chartered Accountants
1st Floor No.1
Lorong Pahlawan 7A2
Jalan Pahlawan
96000 Sibu, Sarawak

STOCK EXCHANGE LISTING

Listed on Main Market of
Bursa Malaysia Securities Berhad
Stock name: RSAWIT
Stock code: 5113

PRINCIPAL BANKERS

RHB Bank Berhad
Malayan Banking Berhad
Bank of China (Malaysia) Berhad
Hong Leong Bank Berhad
CIMB Bank Berhad
Public Bank Berhad
Bank Pertanian Malaysia Berhad
Ambank (M) Berhad
Alliance Bank Malaysia Berhad
Affin Bank Berhad

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Rimbunan Sawit Berhad, it is my privilege to put forward to you the Annual Report of our Company and Group for the financial year ended 31 December 2017.

It was a bright start to 2017 with our Crude Palm Oil ("CPO") price continued its uptrend, surpassing the RM3,100 per metric tonne level while Palm Kernel ("PK") and Fresh Fruit Bunches ("FFB") also trending the same wavelength as CPO, edging closer to RM3,100 per metric tonne and RM650 per metric tonne respectively in quarter one 2017. The promising trend was eventually interjected by the buoyant economic growth resulted in the strengthening of our local currency and the unexpected double repercussions from the India's import tax hike on edible oils and EU's resolution to ban palm biodiesel by 2020.

Internally, the Group has chalked up new heights in key areas. Our RM324.4 million Revenue is the highest since 2011 with our CPO Production bettering the mark set in 2006. Our Earnings before Interest, Taxation, Depreciation, and Amortisation ("EBITDA") continued to recover by 66% to RM68.5 million. Despite overshadowed by the impairment conundrum, which triggered our pre-tax loss of RM164.4 million, the Group is striving steely to realign its resources and to consolidate its portfolio of assets so to ensure our target of double digit FFB yield remains intact.

CHAIRMAN'S STATEMENT (CONT'D)

Outlook and Prospect

Our Revenue remains on track to achieve higher growth in 2018 substantiated by CPO production, which is expected to increase by another 80%.

The Group remains prudent on the CPO price in view of the continuing strengthening of Ringgit against USD. Market demand for CPO is expected to remain firm as the impacts from the import tax hike and proposed ban on palm biodiesel are to be buffeted by improved world economic growth.

Acknowledgements

My sincere gratitude and appreciation for the dedicated supports and confidence that the Group has garnered from our shareholders, valued customers and suppliers, business partners, bankers, government agencies and all the other stakeholders.

On behalf of the Board of Directors, we acknowledge and thank all the employees of Rimbunan Sawit Berhad for their efforts and continuous commitment to the Group.

TIONG CHIONG ONG
Chairman

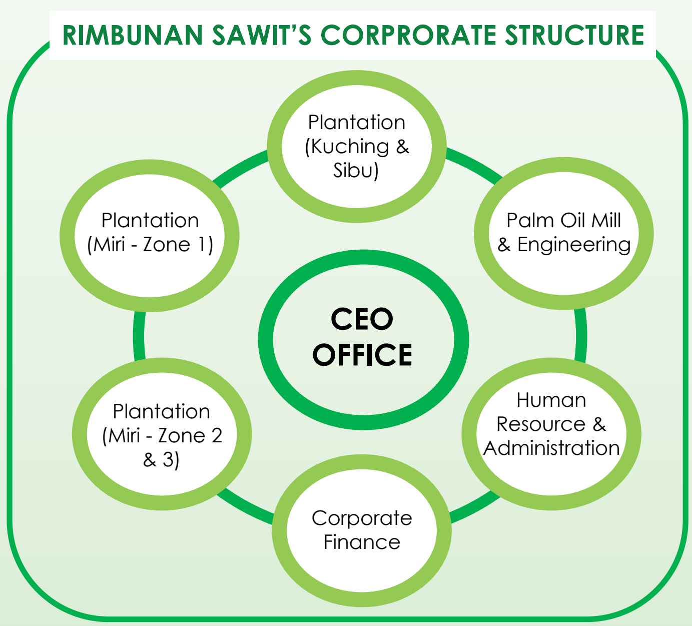
MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business and Operations, Objectives and Strategies

The Group's core activities remain as cultivator of oil palm and operator of palm oil mill. To be a progressive player in this plantation industry, the Group remains committed to transcend stakeholders' value as we continue to improvise products and services of high quality underpinned by the positive vibes that have been imputed through-out our workplace and the local community.

Our Corporate Structure

Follow-up to our previous initiative to streamline the Corporate Functions at Head Office level, our Corporate Structure revolves around six vital Enablers that spearheaded by CEO Office, which ensure all Enablers work hand in glove and in line with the direction set by Board of Directors.



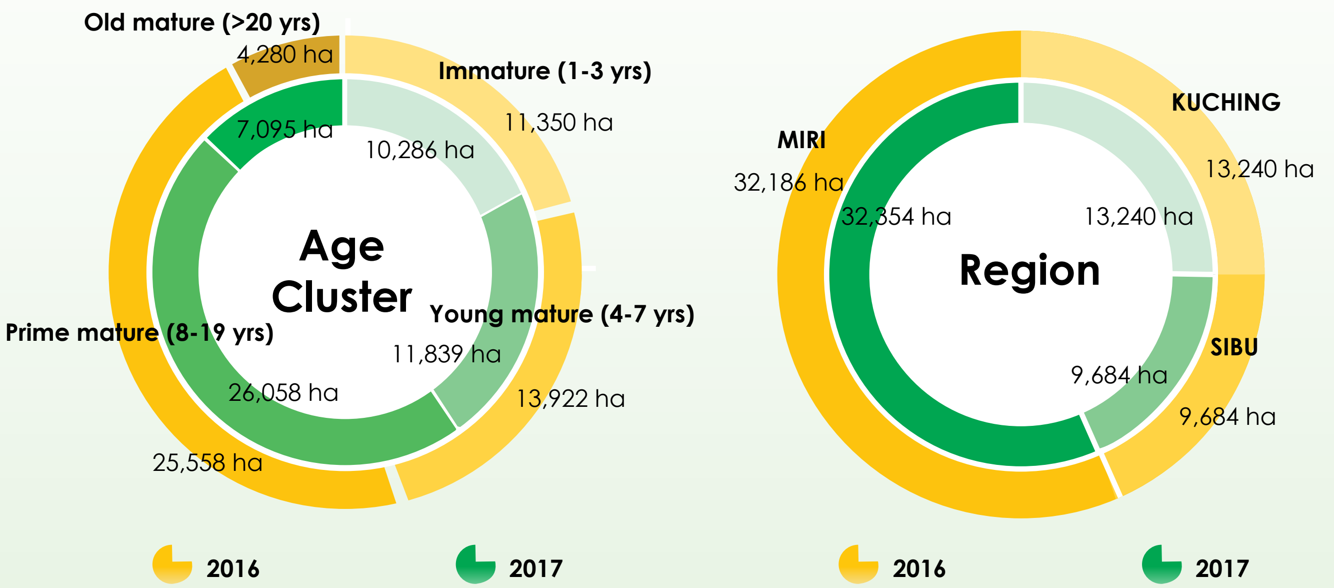
To enhance the cohesiveness among the Enablers, the Group continues to invigorate the supporting units including Information Technology, Agricultural Practices, Internal Audit, Purchasing, Transportation, Geographic Information System, Land and Public Relations.

Our Plantation Estates

Total planted area expanded by 168 hectares to 55,278 hectares, representing 61% of our total land bank of 90,940 hectares. The land bank has been adjusted downward by 1,373 hectares as compared to last year, following the issuance of permanent land title on 13 February 2017 for our Lumiera estate consisting of area with 4,698 hectares replacing the previous provisional lease title, which constitute an area of 6,071 hectares.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The following charts entail our planted area by age cluster and region.



For our palm age, more than 45% are in prime mature cluster while another 40% are below aged of seven years. The old palms continued to weigh on our yield by adding another 2,816 hectares to the old mature cluster. As such, the Group has kick start the replanting program since 2014 at our Bakong estate. As at 31 December 2017, 1,021 hectares have been replenished with high-yielding seedlings while the remaining 3,417 hectares are to be completed within three to four years. The next in line is Timrest estate with 4,251 hectares, which is slated for replanting, commencing from 2019 onwards.

In 2016, the Group has initiated the review of our plantation's value chain as part of our three main initiatives to enhance our crops collection and distribution channels. Mechanization has becoming more vital as the manpower conundrum continues to badger our operation.

As such, the Group has loaded another thirteen units of mini crawlers and tractors to facilitate and spur the crops evacuation while another twenty five units of heavy machineries such as excavators, tractors, and loaders have been brought on-board to expedite the ground works preparation including compaction and levelling, which is expected to be ready by 2019. More importantly, all the developments at replanted areas have been tailored to pave the way for mechanization.

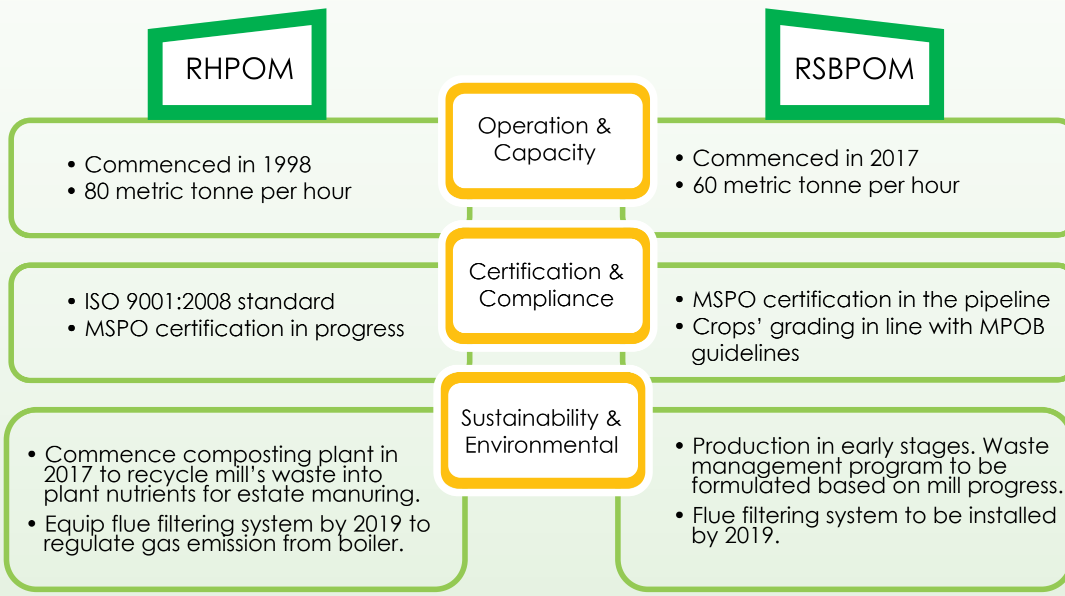
The pursuit for mechanization has to be elevated to other operating processes as the Group is venturing into mechanizing its fertilizer and chemical application. Aside from mechanization, our pre grading of crops harvested has been refined to reaffirm the quality of the crops delivered to mills while the implementation of bin system to facilitate the collection and evacuation of crops at peat soil areas has been put in the pipeline.

The Group has intensified its effort towards sustainable and best agricultural practices across its estates. During the year, our Jayamax estate has completed the 2nd stage Malaysian Sustainable Palm Oil (MSPO) audit under the SIRIM QAS certification body, in which the certification was obtained in February 2018. In addition, the rest of our estates have commenced preparatory works for MSPO 1st stage audit.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Our Palm Oil Mills

Our mills situated in Miri region, namely RHP palm oil mill (RHPOM) and RSB palm oil mill (RSBPOM). RSBPOM made its mark in May 2017 with trial production and subsequently booked its first commercial sales in July 2017. The following chart depicts the profile of our Mills.



Our Ongoing Corporate Proposals

In 2016, one of the Group's three key initiatives is to reexamine its business model and to relook into its portfolio of estates and mills from the aspects of feasibility and returns. Subsequently, on 22 February 2017, the Group has entered into agreements to acquire Lundu palm oil mill situated in Kuching and Sastat estate located in Miri while at the same time, disposing our Simunjan estate in Kuching region ("Corporate Proposals").

The completion of the Corporate Proposals is conditional upon securing the approval and consent from the relevant authorities on the transfer of the Licence Rights for Simunjan estate and the Lundu Land title for the Lundu palm oil mill. The timeline to complete the conditions precedent as stipulated in the agreements was initially extended to 21 February 2018 on 21 August 2017 and eventually, it was set to 22 February 2019 based on mutual agreements by all the relevant parties.

The extensions were required due to some technical aspects of the licence rights and the land title that require extensive clarity and conformity. The Group has intensified the correspondence with the relevant authorities and is expecting the Corporate Proposals to go through by fourth quarter of 2018.

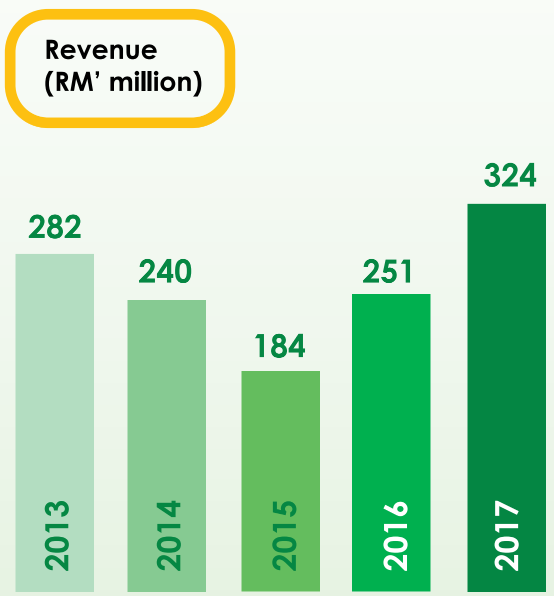
In ensuring that our initiative would not be hamstrung in entirety by the timeline, the Group has conferred the operating and commercial rights of Simunjan estate to Palmlyn Sdn. Bhd. ("Palmlyn"), a related party in exchange for a monthly flat rate ("FFB Fee") charged via our subsidiary, Timrest Sdn. Bhd. commencing April 2017. The move has to be prodded considering that the Group has to shift it resources and focus on areas that have been earmarked in our earlier initiative.

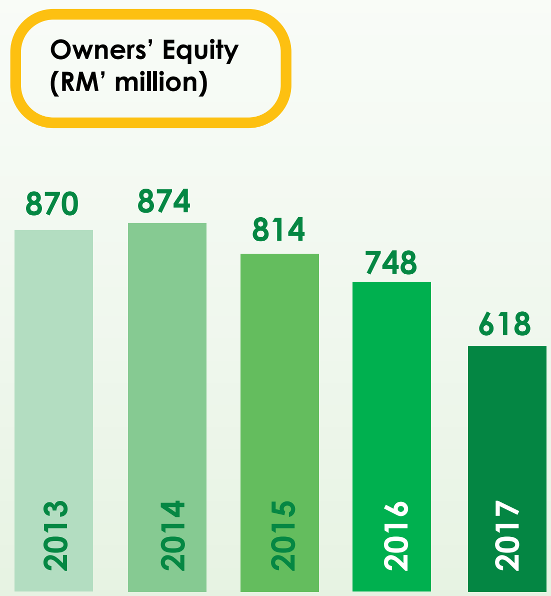
Concurrently, we took a step in advance by engaging RH Lundu Palm Oil Mill Sdn. Bhd. ("RHLPOM"), a related party as their contractor to manage the Lundu palm oil mill in return for a monthly contract income receivable via our subsidiary, RSB Lundu Palm Oil Mill Sdn. Bhd. ("RSBLPOM") commencing April 2017. On 19 January 2018, RSBLPOM has secured its MPOB licence to operate, process, and sell all the produces from Lundu palm oil mill, which will further boost our Group's revenue

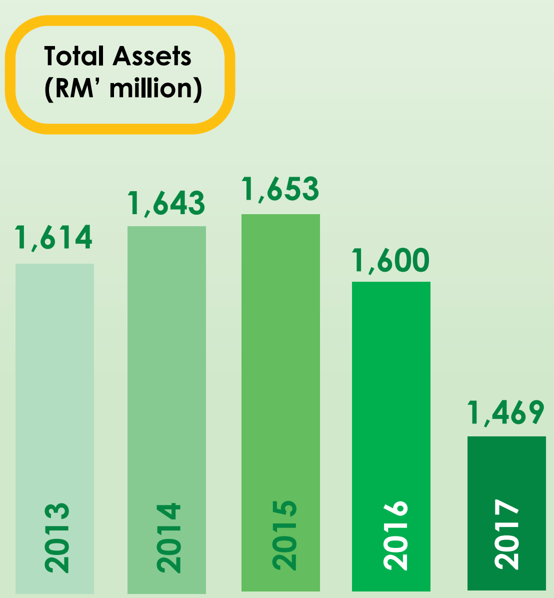
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

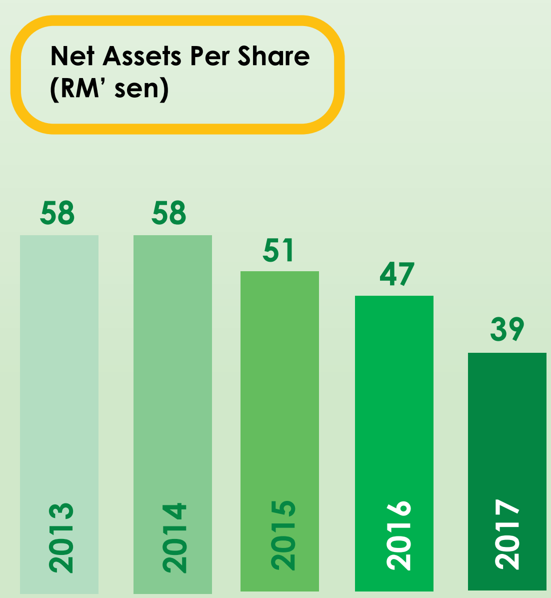
Review of Financial Results

The following charts highlight our five-year key financial information.









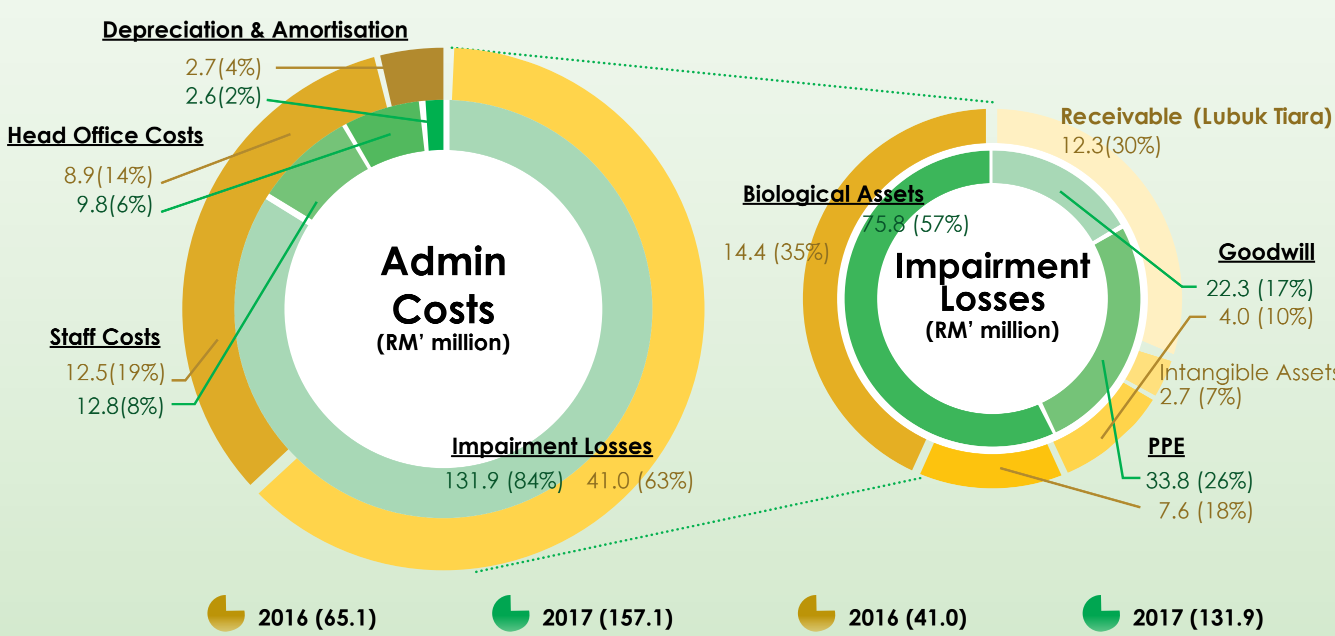
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Our Financial Performance

The Group notched another 30% growth in 2017 for its Revenue to arrive at RM324.4 million. The resounding growth was mainly propelled by the RM49.0 million increase in CPO sales as the selling volume climbed by another 32% to 65,814 metric tonne backed by 4% improvement in the average selling price of RM2,691 per metric tonne. Our PK sales have chipped in RM8.9 million of the growth on the back of higher volume sold by 42% despite lower average selling price of RM2,319 per metric tonne as compared to 2016 of RM2,439 per metric tonne. More importantly, our RSBLPOM has contributed RM14.3 million of the growth in the form of contract income receivable from RHLPOM.

Cost of Sales surged by 23% to RM301.1 million mainly due to the RM34.9 million jump in FFB purchased from external parties, which approximate 1.8 times of 2016's volume. The upsurge was also driven from higher plantation administrative expenses and manuring costs, which was in correspond to higher round of manuring completed. With the growth outweigh the upsurge, our Gross Profit ("GP") soared from RM5.1 million to RM23.3 million, bolstered by higher GP margin of 7% compared to 2016 of 2%.

Despite the soaring GP, our pre-tax loss swelled by RM87.3 million to RM164.4 million owing mainly to the administrative costs, which was bloated with impairment losses as shown in the following charts.



The impairment losses have to be effected after taking into account the recoverable amount that have been measured in accordance with Financial Reporting Standard (FRS) 136 – Impairment of Assets, which is less than the carrying amount of the respective assets including Biological assets ("BA"), Property, Plant and Equipment ("PPE"), and Goodwill.

The recoverable amount measured is based on the respective asset's value in use, which is mainly hinge on the projected CPO price, FFB yield per hectare, remaining useful life of the asset, and discount rate used to estimate the future cash flows to be expected from the asset.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

As our initiative is to relook into our plantation assets lock, stock, and barrel together with all the number crunching to best estimate their value in use, the Group was compelled to impair seven of its plantation estates as enlisted in the following table.

ESTATE	Net Book Value (Company)	Revaluation Surplus (Group)	Total Carrying Amount	Recoverable Amount	Shortfall subject to Impairment	Impairment Allocation		
						BA	PPE	Goodwill
(RM'million)								
Biawak	26.8	58.4	**85.2**	**46.9**	**(38.3)**	16.7	10.6	11.0
Jayamax	82.6	39.5	**122.1**	**85.3**	**(36.8)**	31.4	5.4	-
Lundu	24.2	88.0	**112.2**	**93.7**	**(18.5)**	6.7	2.0	9.8
Selangau	27.9	33.2	**61.1**	**39.1**	**(22.0)**	10.2	11.8	-
Selangor	75.7	-	**75.7**	**62.2**	**(13.5)**	10.2	3.3	-
Splendid	3.6	8.5	**12.1**	**9.3**	**(2.8)**	0.6	0.7	1.5
TOTAL	**240.8**	**227.6**	**468.4**	**336.5**	**(131.9)**	75.8	33.8	22.3

Our Lundu and Biawak estates

Lundu and Biawak have been exerting positively to the Group's result. For Lundu, 20% of its planted area is under old mature while another 60% will be approaching old mature in two to three year times. Similarly for Biawak, almost three quarters of its planted area will be entering old mature by 2020. With less than five productive years to be spared and further compounded by diminishing FFB yield, their estimated recoverable amount is insufficient to cover their carrying amount.

Our Jayamax, Selangau, and Selangor estates

Jayamax has half of its planted area aged more than 16 to 19 years old while Selangau has more than 75% in that age cluster, which indicates that both will be approaching old mature in one to three year times. As for Selangor, almost 90% is classified as old mature. Their FFB yields have been significantly low and consistently flattish, which may stifle any recovery potential from their limited lifespans. As a consequences, their performance have been aggravated resulted in lower recovery amount estimated as compared to their carrying amount.

For Splendid estate, the planted area aged 17 years old and is fast approaching old mature in three-year times. Logistically, the estate is less than accommodative, which render eclectic set of challenges to our resources. FFB yield continued to dwindle while its performance has been peripheral, which have pulled down its estimated recovery amount.

Back to our pre-tax loss, the increase has also been exacerbated by higher finance cost, which widen by 80% to RM22.6 million mainly due to lower quantum of finance costs capitalized under BA in line with additional planted area declared mature in 2017.

The Group's loss after taxation fixed at RM155.8 million, an increase of RM80.0 million compared to 2016 after incorporating higher tax income of RM8.6 million as compared to 2016 of RM1.4 million. The increase in tax income is mainly arising from reduction in deferred tax liabilities by RM24.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Our Financial Position

The Group's non-current assets contracted by RM304.8 million mainly due to the RM131.9 million impairment losses provided on the BA, PPE, and goodwill. In addition, we have reclassified RM143.8 million from non-current assets to assets classified as held for sale for all the BA, PPE, and intangible assets in relation to our Simunjan estate. The reclassification was provided in view that the Corporate Proposals will be accomplished by fourth quarter of 2018.

Trade receivables retracted by 36% as compared to 2016 of RM20.3 million mainly attributable to prompt collection of CPO, PK, and FFB sales to refineries and mills. On contrary, other receivables, deposits and prepayments inflated by RM36.8 million to RM54.2 million mainly due to the RM33.6 million deposit advanced to RHLPOM arising from the Corporate Proposals.

Trade payables surged by 16% to set at RM70.4 million as purchase of fertilizers was stepped up towards end of the year. Other payables, deposits and accruals enlarged by RM41.5 million to RM75.2 million as a result of the RM30.0 million security deposit received from Palmlyn under the FFB Fee arrangement. Further than that, the Group has received RM15.0 million refundable deposit from Tiasa Mesra Sdn. Bhd. in relation to the Corporate Proposals.

The Group's total borrowings reduced marginally by RM0.4 million to RM584.9 million. During 2017, the Group has paid down the term loans and bankers' acceptance by RM39.0 million and RM7.2 million respectively. Apart from that, the Group has drawndown additional RM43.5 million revolving credit to bridge our working capital in view of the expanding milling activities. Our outstanding hire purchase has also increased by RM1.8 million in line with the fleet of machineries acquired for mechanization.

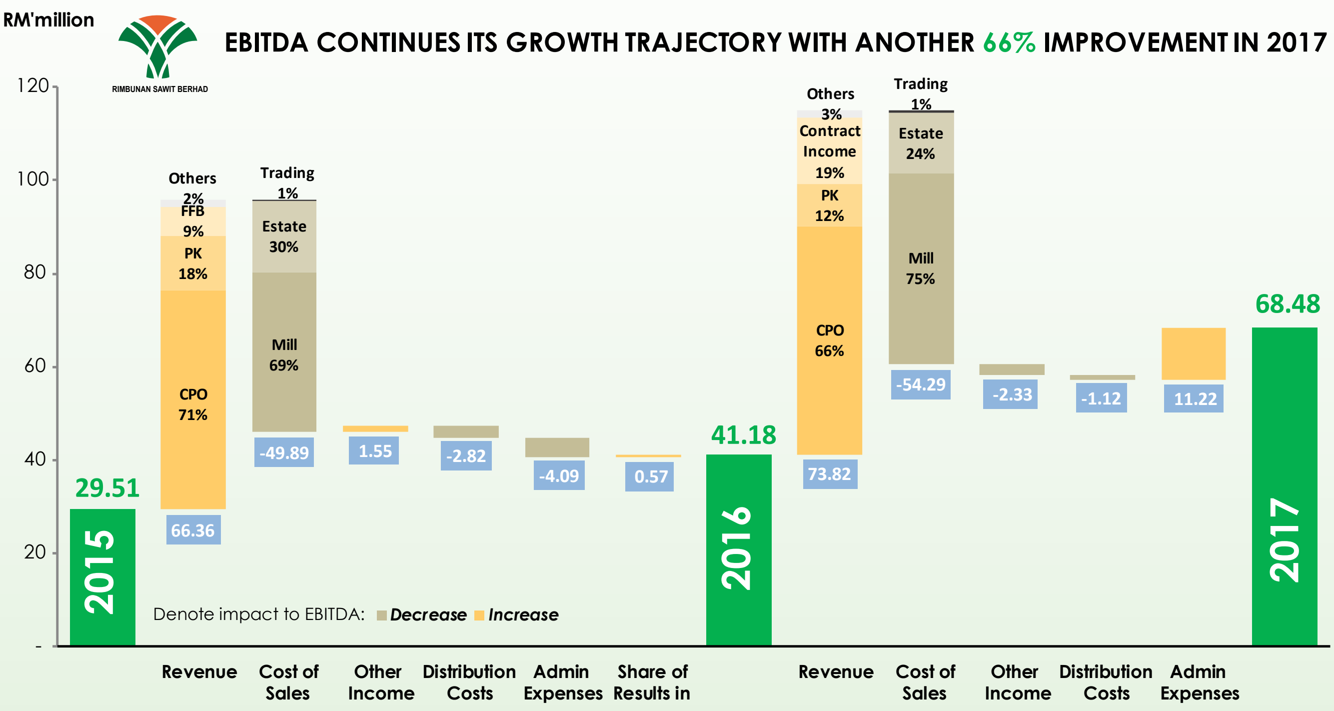
Despite marginal change to our total borrowings, the Group's debt to equity ratio has increased to 0.93 times as compared to 0.74 times in 2016. The increase was mainly attributable to the significant drop in our total equity as a result of the impairment losses. However, the gearing ratio is expected to trim down in 2018 in anticipation that the Corporate Proposals will be completed by fourth quarter of 2018.

The following is an overview of our Group's key financial indicators for the past five financial years.

Key Financial Indicators	**2017**	**2016**	**2015**	**2014**	**2013**
(RM'thousand)					
Revenue	324,392	250,573	184,209	239,684	282,234
EBITDA	68,479	41,184	29,505	77,587	62,939
Profit/(Loss) after taxation	(155,766)	(75,729)	(67,175)	2,753	(1,892)
Equity attributable to owners	617,504	747,701	814,366	874,311	869,541
Total assets	1,468,588	1,600,136	1,652,814	1,642,537	1,613,877
Borrowings	584,853	585,205	557,330	483,218	455,625
Debt to Equity Ratio	0.93	0.74	0.64	0.51	0.48
Earnings / (Loss) per share (sen)	(6.38)	(3.27)	(2.94)	0.23	0.11
Net assets per share (RM)	0.39	0.47	0.51	0.58	0.58

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Review of Operating Activities



Remarks: *EBITDA excludes finance costs, depreciation, amortisation, taxation & non-current assets impairment impacts*

Our Group delivered another 66% growth in its EBITDA on the back of buoyed revenue as CPO production stoked by 37% to land at 67,374 metric tonne, the best since 2006. Likewise, our PK production has increased by 46% to 15,470 metric tonne, the highest since 2013. The production for FFB has recovered by 3% equivalent to 11,872 metric tonne despite conferring our Simunjan estate to Palmlyn under the FFB Fee arrangement in April 2017. As such, our FFB yield improved marginally by 1% from 7.89 metric tonne per hectare to 7.94 metric tonne per hectare.

The following table highlights key operating indicators for the past five years.

Key Operating Indicators	2017	2016	2015	2014	2013
CPO Production Volume (MT)	67,374	49,105	40,739	43,936	67,214
PK Production Volume (MT)	15,470	10,595	9,206	10,782	16,592
FFB Production Volume (MT)	357,052	345,180	396,561	436,380	479,751
OER (%)	20.14	20.31	20.35	20.03	20.62
KER (%)	4.62	4.38	4.60	4.92	5.09
Mature Area (Ha)	44,992	43,760	43,072	39,122	36,867
FFB Yield per Ha (MT/Ha)	7.94	7.89	9.21	11.15	13.01
CPO Sales Volume (MT)	65,814	49,706	39,524	46,818	69,591
PK Sales Volume (MT)	14,896	10,502	9,310	10,598	16,831
FFB Processed (MT)	334,506	241,782	200,153	219,306	326,016

If excluding the contribution from Simunjan estate for both 2017 and 2016, the FFB production volume would be adjusted to 351,514 metric tonne and 313,154 metric tonne respectively. This demonstrated a recovery of 12% amounting to 38,360 metric tonne from 2016 to 2017. Concurrently, our adjusted FFB yield would indicate an improvement of 9% from 7.68 metric tonne to 8.41 metric tonne.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Anticipated or Known Risks

Risks remain an integral part of our day-to-day undertakings. Due to its dynamism, the Group has constantly review and rejig its approaches to ensure these risks are properly addressed and alleviated. Our risks are categorized into four main categories mainly market risks, operational risks, regulatory risks, and liquidity risks.

Risk Category	Description / Rationales	Impact	Mitigation Plans
Market	Fluctuation of CPO price due to changes in currency exchange rate, foreign government policies (such as import tariff), and restrictions imposed on palm oil usage.	Reduction in revenue that will significantly deteriorate our EBITDA	The Group will relook into the cost and benefit of hedging into crude palm oil futures (FCPO) considering the enhanced flexibilities that was recently announced by Bursa Malaysia.
Operational	Shortage of labor remains a pivotal challenge to the plantation estates due to increase competition while inclement weather can be damaging depending on its scale.	FFB yield and quality in terms of OER will be adversely affected resulted in lower returns	It has been our key initiative since 2016 to focus on mechanization in our plantation estates so as to allay and balanced the estate dependencies on manpower.
Regulatory	Changes in government policies and regulations can be a double-edged sword such as those related to hiring of foreign labor, compliance to MSPO, and CPO export tax suspension.	Additional costs incurred to employ foreign workers. Monetary repercussion for non-compliance	The Group remain committed to enhance the efficiency of its operation including mechanization and ensure compliance with MSPO requirement by 2019.
Liquidity	The Group's gearing ratio has been on the upward trend as our borrowings have increased while our equity has contracted partly due to the impairment losses.	Higher funding costs with limited room to maneuver our working capital requirement	One of our key initiatives is to relook into our portfolio of assets so as to realign our resources on productive areas. With our Corporate Proposals near completion, other plans are in the pipeline to enhance our liquidity.

Forward-looking Statements

The Group has been gearing towards maximizing our Revenue as clearly demonstrated in our initiatives. Having secure the MPOB licence for RSBLPOM in January 2018, the Group is expecting higher turnover for 2018 anchored by our CPO sales. With our RSBPOM still in the earlier stage of production since commissioning in May 2017, any improvement in terms of consistency and stability will be a shot in the arm for our CPO production.

In terms of CPO price, the Group remains cautious due to the ongoing strengthening of Ringgit Malaysia against the US Dollars, the direction of the import tax set by India on edible oil, the potential repercussions from European Union's proposal to ban palm oil from biodiesel from 2021, and the uncertainty arising from the trade war between China and United States.

Dividend Policy

In considering that the Group is still in loss after taxation position, we did not recommend dividend to be paid for the financial year ended 31 December 2017. In fact, the Group will continue to reinvest any excess operating cash flows to improve our plantation estates especially for those undergoing replanting so to ensure continuous growth and sustainability in our yield, and more importantly, is to tone down our debt to equity ratio.

Dato' Jin Kee Mou
Chief Executive Officer

PROFILE OF DIRECTORS

TAN SRI DATUK SIR DIONG HIEW KING @ TIONG HIEW KING
Aged 83 / Male / Malaysian
Executive Director

Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King was appointed to the Board of Rimbunan Sawit Berhad ("RSB") on 14 February 2006 and was subsequently appointed as Executive Chairman on 15 February 2006. On 19 December 2012, he was redesignated as Executive Director of RSB.

Tan Sri Datuk Sir Tiong is a businessman with vast and extensive experience in various business sectors including media and publishing, oil and gas, mining, fishery, manufacturing, information technology, timber, tree plantation, oil palm plantation and mills.

Over the years, Tan Sri Datuk Sir Tiong has started and built up the Rimbunan Hijau Group of Companies ("RH Group"). Currently, he is the Executive Chairman and Managing Director of RH Group, a large diversified conglomerate which has interests in various businesses in Malaysia comprising of timber harvesting, processing and manufacturing of timber products, plantations and other businesses around the world.

Tan Sri Datuk Sir Tiong is the founder of an English newspaper named The National in Papua New Guinea. He is currently the President of The Chinese Language Press Institute Limited. In June 2009, he was bestowed the Knight Commander of the Most Excellent Order of the British Empire (K.B.E.), which carries the title "SIR", by Queen Elizabeth II of the United Kingdom, in recognition of his contribution to commerce, community and charitable organisations. In 2010, he was awarded "Malaysia Business Leadership Award 2010 – The Lifetime Achievement Award" by the Kuala Lumpur Malay Chamber of Commerce, in recognition of his entrepreneurship and his contribution to the country.

Tan Sri Datuk Sir Tiong is the Executive Chairman of Sin Chew Media Corporation Berhad ("Sin Chew"), a wholly-owned subsidiary of Media Chinese International Limited, a company listed in Malaysia and Hong Kong. He is also the Chairman of the Board of Trustee of Yayasan Sin Chew, and currently serves as the Executive Chairman of RH Petrogas Limited, a listed company in Singapore. He also serves as a director of other private limited companies.

PROFILE OF DIRECTORS (CONT'D)

TIONG CHIONG ONG
Aged 59 / Male / Malaysian
Chairman / Non-Independent
Non-Executive Director

Mr. Tiong Chiong Ong was appointed to the Board of RSB on 14 February 2006 and was subsequently appointed as Managing Director of RSB on 15 February 2006. On 1 October 2015, he was redesignated as Non-Executive Chairman of RSB.

Mr. Tiong graduated with a Bachelor of Law and Economics from Monash University, Australia in 1984 and joined RH Group in 1986. He started his career as a chambering student and underwent chambering at Skrine and Co. in Kuala Lumpur for nine (9) months. He is a member of CPA Australia and is a member of the Victorian and Sarawak Bar and the Malaysian Institute of Accountants.

Mr. Tiong is a businessman with extensive experience in various capacities in the timber and plantation industries. He also holds directorship in several private limited companies.

Under his leadership, RSB was presented the 2012 Top Award for the Best Performing Stock in the Plantation Sector by the EDGE Billion Ringgit Club, Malaysia.

In 2013, Mr. Tiong was presented the IPD HRD Leadership Award by the Institute of Professional Development, Open University Malaysia in acknowledgement and in recognition of his exemplary leadership and outstanding contribution to the promotion of Human Capital Development efforts in the plantation industry.

TIONG KIONG KING
Aged 70 / Male / Malaysian
Vice Chairman/ Non-Independent
Non-Executive Director

Mr. Tiong Kiong King was appointed to the Board of RSB on 14 February 2006 and was subsequently appointed as Non-Independent Non-Executive Vice Chairman on 15 February 2006. He is also the Chairman of Remuneration Committee and a members of Audit Committee and Nomination Committee.

Mr. Tiong is a businessman with extensive managerial experience in the timber industry in various capacities. He joined the RH Group in 1975 where he has held various positions including being a Director in one (1) of the subsidiaries of RSB since December 1997.

Mr. Tiong also sits on the boards of Subur Tiasa Holdings Berhad, a public listed company and several private limited companies. Currently, he also holds key posts in several non-government organizations. Amongst others, he is the Honorary President for Sibu Chinese Chamber of Commerce and Industry, Vice President of World Federation of Fuzhou Association Limited, Life Honorary President of Persekutuan Persatuan-Persatuan Foochow Sarawak, Honorary Chairman of the World Zhang Clan Association Limited and Chairman of Persatuan Klan Zhang Negeri Sarawak.

PROFILE OF DIRECTORS (CONT'D)

DATO' JIN KEE MOU
Aged 52 / Male / Malaysian
Chief Executive Officer

Dato' Jin Kee Mou was appointed Chief Executive Officer of RSB on 1 July 2015. He is the Chairman of Risk Management Committee.

Dato' Jin graduated with a Bachelor of Engineering in Civil and Computing Degree from Monash University, Australia in 1990. He is a member of Institution of Engineer Malaysia.

Dato' Jin started his career in engineering consultancy and subsequently obtained his professional qualification (P.E) in 1996. He joined Jaya Tiasa Holdings Berhad as an engineer in 1995 and facilitate engineering and project management globally. He is also actively engaged with business development in Jaya Tiasa Group especially the development of oil palm business.

When Jaya Tiasa Group began diversifying into the oil palm business in 2004, Dato' Jin was entrusted to lead the establishment of plantations and crude palm oil mills. He has more than 12 years of extensive experience and in-depth knowledge in oil palm industry.

TIONG CHIONG IE
Aged 47 / Male / Malaysian
Non-Independent Non-Executive Director

Mr. Tiong Chiong Ie was appointed to the Board of RSB on 14 February 2006. He is also a member of Remuneration Committee.

Mr. Tiong graduated with a Bachelor of Business in Information System from Monash University, Australia in 1994.

Mr. Tiong is a businessman with more than 20 years of managerial experience in the timber, transportation provider and shipping industries. He joined the RH Group in 1996. He also holds directorships in Hornbilland Berhad and several private limited companies.

PROFILE OF DIRECTORS (CONT'D)

BONG WEI LEONG
Aged 50 / Male / Malaysian
Independent Director

Mr. Bong Wei Leong was appointed to the Board as an Independent Director of RSB on 14 February 2006 and was subsequently appointed as Chairman on 19 December 2012. On 1 October 2015, he relinquished the position as Chairman of RSB and remained as Independent Director. He is the Chairman of Audit Committee and Nomination Committee. He is also a member of Remuneration Committee.

Mr. Bong graduated with a Bachelor of Business (Accountancy) and Bachelor of Law from Queensland University of Technology, Australia in 1993. He was a Partner of a public accountants firm prior to starting his own practice in 2004. He is a member of the Malaysian Institute of Accountants and the CPA Australia.

Mr. Bong is a businessman with more than 24 years of experience in providing auditing, accounting and taxation services to various clients. He also sits on the board of CCK Consolidated Holdings Berhad, a public listed company.

TIONG ING MING
Aged 60 / Male / Malaysian
Independent Director

Mr. Tiong Ing Ming was appointed to the Board as an Independent Director of RSB on 14 February 2006. He is a members of Audit Committee and Nomination Committee.

Mr. Tiong graduated with a Bachelor of Building (Hons) from University of Melbourne, Australia in 1982 and began his career in a consulting quantity surveying practice since 1994. He is a registered quantity surveyor of the Board of Quantity Surveyors, Malaysia and a member of the Institution of Surveyors Malaysia. He also sits on the board of Subur Tiasa Holdings Berhad, a public listed company.

PROFILE OF DIRECTORS (CONT'D)

Other Information on Directors

1. Family Relationship

Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King and Tiong Kiong King are brothers and is the father and uncle of Tiong Chiong Ong respectively. Both Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King and Tiong Kiong King, and Tiong Chiong Ong are the uncles and cousin of Tiong Chiong Ie respectively. Apart from these, the other Directors have no family relationship with each other or the major shareholders of RSB.

2. Conflict of Interest

None of the Directors has any conflict of interests with the Company.

3. Convictions of Offences

None of the Directors have been convicted of offences within the past five (5) years other than traffic offence, if any.

4. Details of Attendance at Board Meetings held in the Financial year ended 31 December 2017

Name of Directors	Number of Meetings Attended
Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	3 out of 6
Tiong Kiong King	5 out of 6
Tiong Chiong Ong	5 out of 6
Dato' Jin Kee Mou	6 out of 6
Tiong Chiong Ie	5 out of 6
Bong Wei Leong	6 out of 6
Tiong Ing Ming	6 out of 6

KEY SENIOR MANAGEMENT

TAN SRI DATUK SIR DIONG HIEW KING @ TIONG HIEW KING
Executive Director

DATO' JIN KEE MOU
Chief Executive Officer

The profiles of Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King and Dato' Jin Kee Mou are listed under Profile of Directors on page 17 and 19 respectively of this annual report.

SUSTAINABILITY STATEMENT

Rimbunan Sawit Berhad ("RSB") established since 2005, together with the group of companies under its wing ("RSB Group"), is committed to achieve sustaining wellness as essential strive to obtain the highest level of sustainability of our stakeholders and employees. We have crafted our logo into describing our four essential contributions towards the economic development and prosperity of our local community, providing positive impact for state development, and creating good values at our work place and environment.

As part of RSB Group's mission "To enhance stakeholders' values, To provide high quality products and services to our customers, To provide job opportunities and lifelong learning opportunities at the workplace and local community", we pursue high standards on improvement and promoting better operation and responsibility in business practices, managing environmental impacts and meeting the social needs of communities and nation.

RSB Group would undertake sustainable and responsible business practices through:-

- Good business ethics and integrity;
- Transparent business conducts;
- Good agricultural practices; and
- Good legal governance, risk management and compliance.

To integrate and undertake sustainability responsibilities on environment, we carry out initiatives and practices on mitigating the direct and in-direct environmental impacts of the development and operation of our estates and mills. We secure the resources wisely by adopting adequate protection and conservation values on the natural environment.

A. MARKETPLACE

RSB approaches and recognizes the importance placed by our customers and consumers on food safety, products quality and traceability on the supply chains. Traceability demonstrate the control of our operation and has open up market opportunities. We intend to be sustainable with adequate traceability in the palm oil which we offer to our customers.

This also include the traceability of fresh fruit bunches from third party like smallholders that have contributed much to our group.

SUSTAINABILITY STATEMENT (CONT'D)

B. ENVIRONMENT

RSB Group would continue the efforts in conserving riparian zone areas and rehabilitate buffer zone areas with the aim to preserve and protect the fauna and flora in these areas.

With part of the RSB Group oil palm estates operating in peat areas, we comply with state and national laws to ensure that the water table monitoring and the prevention of carbon dioxide ("CO2") and methane gas ("CH4") reduction which is in subscription to High Carbon Stock ("HCS") approach and protecting agronomic practicality with the view to long term conservation benefits.

RSB Group with best commitment for all oil palm estates and mills will be undertaking to:

- Implement and maintain on environmental management system acclimatizing to MSPO principles and standards, adopting Standard Operating Procedures with Best Management Practices (BMP) and Good Agricultural Practices (GAP);
- Develop oil palm plantation estates only in areas allocated;
- Conduct and comply with Environmental Impact Assessment (EIA), Greenhouse Gas (GHG), Biodiversity, Social Impact Assessment (SIA), Social Environmental Impact Assessment (SEIA);
- Emphasize zero burning practices in developing plantation estates;
- Minimize pollutions of land, water and air.

Involvement in livestock farming is one of the best example that exhibits the effort of RSB Group to fulfil the commitment to reduce and remove the overdependence on pesticides and hence reducing risk to human health and environmental. The primary objective of introducing livestock farming into the oil palm estates originally was first and foremost to reduce the cost of weeding. Thus under the tree crop-livestock integration system, livestock production was not given the necessary attention that would generate optimum animal growth response. However, with recent shift in emphasis towards good grazing management aimed at balancing feed consumption to what is naturally available in the plantations, there is a need to constantly monitor the quantity as well as quality of available forages grazed. With approximately 20,000 hectares of oil palm cultivated in mineral soil, coupled with the growing demand for beef and the need to increase the self-suffiency level of local beef producers, the development of large scale ruminant production under plantation crops offers considerable scope for the expansion of the livestock industry in the country.

SUSTAINABILITY STATEMENT (CONT'D)

Present knowledge of livestock integration and soil management practices indicates that cattle can be effectively integrated into oil palm estates. Some of the benefits of livestock integration include savings in weeding cost, reduction of chemical fertilizers and income from the sale of livestock. Future integration of livestock in sloping/steep lands will depend on the current progress of the ruminant industry within RSB Group.

C. COMMUNITY

Enhancing Social Wellbeing of Rural Community

With its oil palm estates and mills operation at rural areas, RSB Group prioritizes its Corporate Social Responsibility ("CSR") on enhancing the social wellbeing of rural communities near its estates and mills. These include maintenance of kampong roads, providing road access, and sponsorships of events organized by rural schools and rural government clinics.

Development of NCR Land for Joint-Venture Oil Plantation

Through joint-venture projects, RSB had developed thousands of hectares of Native Customary Rights ("NCR") land into oil palm estates. At most of these estates, job opportunities are prioritized to landowners and local community. Some are also engaged as petty contractors on field and upkeep works. RSB has consistently paid out annual incentive to native landowners who participated in the NCR land joint-ventured oil palm estates.

On-Job-Training Program in Plantation Management

As at 2017, 11 trainees attached with RSB estates for a 2 years On-Job-Training (OJT) program, graduated with Executive Diploma in Plantation Management. The OJT program is a collaboration between RSB, RH Academy, and Open University Malaysia. More than 300 trainees have graduated through this program since 2013. Trainees who had successfully completed their study were recruited to fill up available vacancies at our estates, while others have better opportunities for employment at other oil palm plantation companies throughout Sarawak.

Landowners receiving their annual incentives from RSB joint-ventured NCR land oil palm estates

SUSTAINABILITY STATEMENT (CONT'D)

Blood Donation

RSB employees has been participating in an annual blood donation drive, responding to the request by Sibu General Hospital to maintain its blood bank.

RSB employees participated in blood donation drive organized by Sibu General Hospital

D. WORKPLACE

Staff Training and Development

RSB Group organizes trainings and development programs for its employees based on the findings from the Training Needs Analysis, implementation of new regulatory compliances, industry changes and latest developments in the respective subjects and profession, for the purpose to upgrade and update the skills and knowledge of the employees to face the ever changing challenges in the industry.

Orientation at Palm Oil Mill for New Employees

Leadership Training

Orientation at Oil Palm Estate for New Employees

SUSTAINABILITY STATEMENT (CONT'D)

Recognizing Diversity

The company allocates annual budget for organizing of events such Chinese New Year, Gawai Dayak, Hari Raya Puasa, and Christmas. We recognise the importance of appreciating and fostering good relationship among employees of diverse ethnics.

Christmas Celebration at Head Office

Gawai Celebration at Palm Oil Mill

Safety and Health

Safety briefings and trainings were conducted continuously for employees to create awareness on safety at work. Safe Operating Procedures are made available and also continuously brief to employees at work sites.

Safety Briefing at Oil Palm Estate

SUSTAINABILITY STATEMENT (CONT'D)

Welfare

Sports and games were organized for employees to maintain a healthy lifestyle. Aerobic and zumba sessions that are organized twice weekly at the Head Office to enable employees to have time for exercise. Badminton and table tennis games were organized weekly for employees. Sports and recreational facilities are provided at the estates and mills. Football, volleyball and sepak takraw competitions were organized to foster closer relationship, teamwork, and stay healthy.

Employees at our estates and mills are provided with free housing, treated water, electricity and basic amenities.

Football Match

Aerobic Session

Water Treatment Plant at RSB Palm Oil Mill

New Staff Quarter

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("Board") of Rimbunan Sawit Berhad ("RSB" or "the Company") recognises Corporate Governance as being vital and important to the success of RSB and its Group of Companies ("Group") business. They are unreservedly committed to apply the principles necessary to ensure that the principles of good governance are practiced in all of its business dealings in respect of its shareholders and relevant stakeholders.

This Corporate Governance Statement sets out how the Company has applied the three (3) principles which are set out in the Malaysian Code of Corporate Governance in respect of the financial year ended 31 December 2017. Where a specific practice of the Code has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

All Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect, and on behalf of the Company.

The Board has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

(a) reviewing, approving and adopting a strategic plan for the Company, including the sustainability of the Group's businesses;
(b) overseeing and evaluating the conduct and performance of the Group's businesses and assessing whether the businesses are being properly managed;
(c) identifying principal business risks of all aspects of the Group's businesses and ensure the implementation of appropriate internal controls system and mitigating measures to effectively monitor and manage the risks;
(d) ensuring that all candidates appointed to senior management positions are of sufficient caliber and there are programmes in place to provide for the orderly succession of senior management;
(e) overseeing the development and implementation of policies relating to investors relations programme and shareholder communications policy; and
(f) reviewing the adequacy and the integrity of the management information and internal control systems of the Group.

It has put in place an annual strategy planning process, whereby Management presents to the Board its recommended strategy and proposed business and regulatory plans together with the annual budget for the following year during the Board meeting. At the meeting, the Board reviews and deliberates upon both Management's and its own perspectives, as well as challenges Management's views and assumptions, to deliver the best outcomes.

The Board recognises the importance of ensuring a balance of power and authority between the Chairman and the Chief Executive Officer ("CEO"). The positions of Chairman (i.e. Non-Executive Chairman) and CEO are held by different individuals with a clear division of responsibility between the running of the Board and the Company's businesses respectively. This ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

The Chairman leads the Board and is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The CEO, supported by the Management Committee and senior management team, is responsible for the day-to-day management of the businesses and operations of the Group with respect to both its regulatory and commercial functions and implements the group's strategies, policies and decision adopted by the Board, oversees the operations and business management of the Group, provides effective leadership and ensure high management competency. The CEO reports to the Board on the Group performance and operational matters at each quarterly Board meeting. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance.

Both Company Secretaries of the Company are qualified secretaries as required pursuant to Section 235(2) of the Malaysian Companies Act 2016 and are the members of the Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA). They are competent in carrying out their duties and play supporting and advisory roles to the Board and the Group on issue relating to compliance with laws and requirements as well as the Code of Corporate Governance. They ensure adherence and compliance to the procedures and regulatory requirements from time to time. They also ensure that meetings are properly convened and deliberations at meetings are accurately and sufficiently captured and minuted, minutes and statutory records are properly kept and updated.

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management. Further details pertaining to the Board Charter, Code of Conducts and Whistleblowing Policies and Procedures are set out in the CG Report. These documents are made available on the Company's website www.rsb.com.my and will be periodically reviewed and updated to ensure it remains consistent with the Board's objective and responsibilities.

The CEO is the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions. The CEO implements the policies, strategies and decisions adopted by the Board. The CEO reports to the Board on the Group performance and operational matters at the Board meeting. All Board authorities conferred on the Management is delegated through the CEO and the Executive Director and this will be considered as their authorities and accountabilities as far as the Board is concerned.

II. Board Composition

During the financial year ended 31 December 2017, the Board has seven (7) members, comprising two (2) Independent Directors, three (3) Non-Independent Non-Executive Directors, one (1) Executive Director and one (1) Director/CEO. The Board composition complies with the Main market Listing Requirements of Bursa Malaysia Securities Berhad that at least two (2) directors or 1/3 of the board of directors of the company, whichever is the higher, are independent directors.

The Independent Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities in which the Group conducts its businesses. Independent Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

All the Independent Directors fulfil the criterias of independence as defined in the Listing Requirements and the Board Charter. The Board through the Nomination Committee has assessed the Independent Director and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to retain as an Independent Director, the Board shall first justify and obtain shareholders' approval. Our Independent Directors, Mr. Bong Wei Leong and Mr. Tiong Ing Ming have served as Independent Directors of the Company for a consecutive term of more than nine (9) years. However, the Board concurred that their independence as Independent Directors have not been compromised in any way based on the following justifications and recommendation from the Nomination Committee:

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

(a) They fulfilled the criteria as Independent Director as stipulated in the Listing Requirements and therefore are able to offer impartial judgement and advice to the Board;
(b) They remain independent and vocal, actively participated in deliberations and exercised independent judgement at Board and Board Committee meetings without compromising operational consideration. Hence, provide a check and balance to operational management; and
(c) They continue to exercise independent and objective judgement in carrying out their duties as Independent Directors and they provide guidance, unbiased and independent views to many aspects of the Company and the Group's strategy so as to safeguard the interests of minority shareholders. Their long tenure as Independent Directors have no conflict of interest or undue influence from management and interested parties.

Having considered the above, the Board had recommended both Mr. Bong Wei Leong and Mr. Tiong Ing Ming to be retained as Independent Directors of the Company and such proposal shall be tabled for shareholders' approval at the forthcoming Annual General Meeting.

The Board consists of qualified individual with diverse backgrounds, skills, age and experiences especially in entrepreneurship, plantation and timber industries, sale and marketing, business administration, finance, legal, accounting and taxation. The members of the Board with their combine business, management and professional experiences, knowledge and expertise, provide the core competencies to allow for diverse and objective perspective on Company's business and direction.

The Board acknowledges that continuous training and education are vital for the Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. Directors are encouraged to attend continuous education programmes to further enhance their skills and knowledge, where relevant. A budget for Directors' continuing education is therefore provided each year by the Company.

There were also technical briefings/updates on statutory and regulatory requirements from time to time at the Board meetings by the Company Secretaries. All Directors will continue to attend relevant training as may be required from time to time to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast with regulatory and corporate governance developments in the marketplace.

The Board has assessed the training needs of the Directors. Generally, all Directors must attend at least one (1) training/seminar each year. During the financial year ended 31 December 2017, the Directors have attended appropriate training programmes conducted by external experts and the descriptions of the training/seminar are set out below:

Title of training/seminar	Number of day(s) spent
28th Annual palm & lauric oils conference & exhibition price outlook (POC2017)	3
Grow and scale your SME to greatness	1
FX 7 ecenomic outlook briefing by RHB Bank	1
Strategic planning and sustainability requirements	1
MIA conference 2017	2
Income Tax & GST implication & application leveraging the New Companies Act 2016	1
The Companies Act 2016 & company secretary practice part II	2
National Tax Conference 2017	2
Practice assignment of the new & revised GST Tax Code	1
Practical auditing methodology for SMP	2
2018 budget seminar	1

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board has yet to adopt gender diversity policies and targets. However, the company will promote corporate culture that embraces diversity when determining composition of Board and employees at all level from diverse pool of qualified candidates. The Board will continue to monitor and review the Board size and composition from time to time and ensure that women candidates are sought in the recruitment exercise. The evaluation of candidates' suitability are solely based on their competency, appropriate skills, character, time commitment, integrity, contribution and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Directors, as the case may be.

The Nomination Committee will recommend candidates for all directorships to be filled to the Board which involves selection and assessment of candidates for directorships proposed by the CEO and within the bounds of practicality, by any other senior executive or any director or shareholder, interviewing or meeting up with candidates, deliberation by the Nomination Committee and recommendations by the Nomination Committee to the Board. The Board may utilizes independent sources to identify suitably qualified candidates if deem necessary.

The Nomination Committee is chaired by Senior Independent Director and all the members are non-executive Directors and a majority of whom are independent. During the financial year ended 31 December 2017, the Nomination Committee has met once.

The Board through the Nomination Committee conducted an annual assessment of the performance of the Board, as a whole, Board Committees and individual Directors, based on a self-assessment and peer approach. From the results of the assessment, including the mix of skills, experience and other qualities possessed by Directors, the Board considered and approved the recommendations made by the Nomination Committee on the re-election and re-appointment of Directors at the Company's forthcoming Annual General Meeting. The Nomination Committee shall assess the independence of all Independent Directors annually and report to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions shall be properly documented.

In evaluating the suitability of candidates, the Nomination Committee considers, inter-alia, the competency, experience, commitment (including time commitment), contribution and integrity of the candidates, and additionally in the case of candidates proposed for appointment as Independent Directors, the candidates' independence.

During the financial year ended 31 December 2017, the Nomination Committee upon its annual review carried out, is satisfied that the size and composition of the Board is optimum and conducive to effective discussion and decision making. There is appropriate mix of skills, experience and core competencies in the composition of the Board and that the Board has an appropriate number of Independent Directors. The Nomination Committee is also satisfied that all the members of the Board are suitably qualified to hold their positions as Directors of the Company in view of their respective academic and professional qualifications, good character, experience, integrity, core competencies and qualities as well as their time devoted and committed to discharge their roles.

The Nomination Committee recognizes the importance of the roles the Nomination Committee plays not only in the selection and assessment of Directors but also in other aspects of corporate governance which the Nomination Committee can assist the Board to discharge its fiduciary and leadership functions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

III. Remuneration

The Remuneration Committee is principally responsible for setting the remuneration structure and policy for Executive Directors and recommending to the Board the remuneration of Directors so as to ensure that the Company is able to attract and retain its Directors needed to run the Group successfully. The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Independent Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Independent Director concerned.

The Board has adopted the Directors' Remuneration Policies and Procedures, summarised as follows:

(a) The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.
(b) The level of remuneration for the CEO and Executive Directors are determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies, business results, experience and individual performance.
(c) No Director other than the CEO and Executive Directors shall have a service contract with the Company.

RSB recognises the need to ensure that remuneration of Directors is appreciative and reflective of the responsibility and commitment that goes with Board membership. The Remuneration Committee recommends to the Board the remuneration package of the Directors. The fees for Non-Executive Directors are determined by the Board as a whole. Each individual Director abstained from the Board discussion and decision on his own remuneration. The remuneration package is determined in accordance to fair and equitable criteria based on the performance of the Directors and the Directors' Remuneration Policies and Procedures.

The Board is of the opinion that matters pertaining to Directors' remuneration are of a personal nature. However, in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the remuneration of RSB's Directors for the financial year ended 31 December 2017 were as follows:

	Fee		Salary		Bonus		Other Emoluments		Total	
	Company RM	Group RM	Company RM	Group RM	Company RM	Group RM	Company RM	Group RM	Company RM	Group RM
Executive Directors										
Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	-	6,000	360,000	360,000	30,000	30,000	600	600	390,600	396,600
Dato' Jin Kee Mou	55,000	91,600	-	354,000	-	118,000	1,200	66,929	56,200	630,529
Non-Executive Directors										
Tiong Kiong King	75,000	123,850	-	-	-	-	2,000	2,000	77,000	125,850
Tiong Chiong Ong	120,000	174,600	-	-	-	-	1,000	264,950	121,000	439,550
Tiong Chiong Ie	35,000	36,000	-	-	-	-	1,200	1,200	36,200	37,200
Bong Wei Leong	45,000	45,000	-	-	-	-	2,800	2,800	47,800	47,800
Tiong Ing Ming	35,000	36,000	-	-	-	-	2,800	2,800	37,800	38,800

The terms of reference of the Remuneration Committee is available on the company's website at www.rsb.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT & RISK MANAGEMENT

1. Audit Committee

The Audit Committee ("AC"), formed on 2 March 2006, comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The AC is chaired by an Independent Non-Executive Director, Mr. Bong Wei Leong. The Committee composition complies with the Main market Listing Requirements of Bursa Malaysia Securities Berhad that the audit committee must be composed of not fewer than Three (3) members and all the AC members must be non-executive directors, with a majority of them being independent directors. The Committee has adopted the practice for AC to require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a members of AC and such practice is incorporate in the terms of reference of AC.

The Board has adopted an External Auditors Policy for the AC to assess the suitability and independence of external auditors. The External Auditors Policy has outlined the criteria and procedures for the engagement, assessment and monitoring of external auditors. The AC is responsible for reviewing, assessing and monitoring the performance, suitability and independence of the external auditors, on an annual basis.

The external auditors have confirmed and assured in writing of their independence to the AC. The AC had assessed the suitability and independence of the external auditors based on the External Auditors Policy and considered several factors including adequacy of experience, resources of the firm and independence of the external auditors. AC is satisfied with the external auditors' performance, technical competency, independence and fulfillment of criteria as outlined in the External Auditors Policy. The AC recommended the re-appointment of Messrs. Crowe Horwath as external auditors for the ensuing year. The Board approved the recommendation made by AC for shareholders' approval at the forthcoming annual general meeting.

Audit and non-audit fees paid/payable by the Group and the Company to the External Auditors during the financial year ended 31 December 2017 are set out below:

	Group (RM)	Company (RM)
Statutory audit fee paid to:		
- Crowe Horwath	342,000	65,000
- Philip Tong & Co	36,000	-
Total (a)	378,000	65,000
Non-audit fees paid to:		
- Crowe Horwath	71,800	70,000
- Crowe Horwath (Sarawak) Tax Sdn Bhd	69,150	6,900
- Tomax Tax Services Sdn Bhd	8,200	-
Total (b)	149,150	76,900
% of non-audit fees (b/a)	39.5%	118.3%

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The nature of the non-audit fees incurred by the Group and the company are services rendered for reviewing quarterly reports, risk management and internal control statement, disclosure of realized and unrealized profit/loss statement and tax services.

In considering the nature and scope of non-audit fees, AC was satisfied that they were not likely to create any conflict or impair the Auditors' independence, objectivity and judgment.

During the financial year under review, the AC met with the External Auditor twice (2) without the presence of the other Directors and employees of the Group.

II. Risk Management & Internal Control Framework

The Board acknowledges its responsibility for the Group's system of risk management and internal control, which is designed to identify, evaluate and manage the risks of the businesses of the Group, in pursuit of its objectives. In addition, the system of internal control practised by the Group spans over financial, operational and compliance aspects, particularly to safeguard the Group's assets and hence shareholders' investments. The system of internal control, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The main features of risk management framework are disclosed on page 37 of this annual report.

In executing the responsibility for the internal control system, the Board via the internal auditors and Risk Management Committee, has adopted procedures to monitor the ongoing adequacy and integrity of the system of risk management and internal control. The effectiveness of the Group's system of risk management and internal control is reviewed on a regular basis by the internal auditors and Risk Management Committee.

Further details on the state of the risk management and system of internal control of the Group are presented on pages 36 to 38 of this annual report.

RSB has its in-house internal audit function which is independent of the activities its audit. The Internal Audit Manager report directly to the Audit Committee. Further details of the internal audit function are outlined on page 41 of this annual report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING & MEANGINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with stakeholders

The Board recognises the importance of being transparent and accountable to the Company's shareholders and prospective investors. The various channels of communications are through meetings with institutional shareholders and investment communities, quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website at www.rsb.com.my where shareholders and prospective investors can access corporate information, annual reports, press releases, financial information, company announcements and share prices of the Company. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. rsb@rsb.com.my to which stakeholders can direct their queries or concerns.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

II. Conduct of General meeting

The general meeting, which is the principal forum for shareholders dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. At the general meeting, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. The Chairman of the general meeting invited shareholders to raise questions with responses from the Board, Senior Management and external auditors. The notice of general meeting is circulated within the prescribed period before the date of the meeting to enable shareholders to go through the Annual Report, circular and papers supporting the resolutions proposed. Special business transacted at the general meeting are accompanying with the explanatory notes to facilitate full understanding of the matters involved. The outcome of the general meeting will be announced to Bursa Securities immediately.

COMPLIANCE STATEMENT

With the introduction of the new Code, the Board remains committed to inculcating good corporate governance for the Group. The Group has complied with the Code except for those disclosed in this statement. The Group will continue to endeavour to comply with all the key principles of the Code in its effort to observe high standards of transparency, accountability and integrity.

STATEMENT ON NOMINATION COMMITTEE ACTIVITIES

During the financial year ended 31 December 2017, the Nomination Committee has met once and the activities carried out by the Nomination Committee during the financial year ended 31 December 2017 are as follows:

i) Reviewed the mix of skills, character, experience, integrity, core competencies and other qualities required for the Board as well as their time commitment and Board balance.
ii) Evaluated the performance and effectiveness of the board including contributions of each individual director as well as the financial controller and the independence of the Independent Directors.
iii) Assessed and recommended to the Board, Directors who are due for retirement by rotation pursuant to the Company's Articles of Association, for continuation in service as Directors.
iv) Discussed to formalise a policy on the board and workforce diversity (including gender, age and ethnicity) and discussed the assessment of independent directors who have served for more than Nine (9) years for continuance in office as Independent Directors of the Company.
v) Assessed the Financial Controller or person primarily responsible for the management of the financial affairs of Group.
vi) Evaluated the performance and effectiveness of the Board Committees.
vii) Assessed and recommended to the Board the training needs and continuing education programme for Directors.

This statement is made in accordance with the resolution of the Board of Directors dated 4 April 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirement ("Main LR") of Bursa Malaysia, the Board of Directors ("Board") of Rimbunan Sawit Berhad ("the Company") is committed to nurture and support a sound risk management framework and internal controls system (the "System") and is pleased to enclose the Statement on Risk Management and Internal Control which outline the corporate governance practices to safeguard shareholders' investments and the Group's assets.

ROLES AND RESPONSIBILITIES

Board of Directors

The Board acknowledge its overall responsibility in the establishment and oversight of the Group's risk management framework and internal control systems except for the associated company which is not under the control of the Board. The Board is cognisant of the fact that its role in providing risk oversight sets the tone and culture towards managing key risks that may impede the achievement of the Group's business goals within an acceptable risk profile. The Board also recognized the facts that the internal control systems are the actions taken by the Board and management to manage risk and increase occurrences that established goals will be achieved, rather than eliminate the likelihood of material misstatements or unforeseeable circumstances, fraud and losses.

Therefore, due to inherent limitations, it should be noted that the System can only provide reasonable, rather than absolute, assurance that the likelihood of a significant adverse impact on objectives arising from a future event or situation is at a level acceptance to the business.

Audit and Risk Management Committee

The Board Committees such as the Audit Committee and Risk Management Committee are established by the Board, and they are governed by clearly defined term of references and authority areas within their scope. The Audit and Risk Management Committees maintain risk and audit given oversight within the Group.

Risk Management Department

The Group has established the Risk Management Department ("RMD") to assists the Board in ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group. Among others the RMD is responsible for assisting in development of risk management framework, which ensuring all the necessary policies and mechanism included; maintaining the risk register for the Group; monitoring and reporting of the key risks as identified by the Management and facilitate the quarterly risk review.

Internal Audit Department

Pursuant to Paragraph 15.27 of Main LR of Bursa Malaysia, the Internal Audit Department ("IAD") reports directly to Audit Committee ("AC"). The activities of the IAD are guided by Internal Audit Charter and Annual Audit Plan which developed based on prioritization of the audit universe by using a risk-based methodology and approved by the AC. The IAD monitors compliance with the Group's policies and procedures, applicable laws and regulations, and provides independent assurance on the adequacy and effectiveness of risk assessment and internal control system by conducting regular audits and continuous assessment.

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

RISK MANAGEMENT FUNCTION & FRAMEWORK

The Group adopts an Enterprise Risk Management ("ERM") framework which streamline operations to realise business goals of organisation. This ERM provides structures guidance to identify, evaluate, control, report and monitor significant risks faced by orgainisation, including action plans to treat risks are monitored in relation to orgainisation's appetite. Additionally, this framework accords ownership of risk to process owners by engaging every level of the organisation as risk owners of their immediate sphere of risks which aims to approach risk management holistically and mitigating measures to address risks to acceptable levels (using risk register and key performance indicators).

RMD conducts periodic reviews on the Group's Risk Registers to ensure the risks and their mitigation measures are relevant and also cover responses to significant risks identified including non-compliance with applicable laws, rules, regulations and guidelines, changes to internal controls and management information systems, and output from monitoring processes.

Listed below are the principal risk as a guidelines on risk reporting:

Operating Risk	Operating risk management ranges from managing strategic operating risks to manage diverse day-to-day business activities such as production, safety, health and environment sustainability and compliance with laws and regulations.
Financial Risk	The Group is exposed to various financial risks relating to credit, liquidity, interest rates and etc. Financial Risk involves the Group operating liabilities to the financial results of uncertainty arrangement which unable to repayment of debt and etc.
Compliance Risk	Risk related to meeting global sustainability standards and certification.The Group is committed to achieving compliance of MSPO Guidelines, ISO certified, labour law and other quality standards to achieve excellence in quality management of our business. Compliance to these standards will ensure wider market reach with current demand for sustainable palm oil.
Environment Risk	Erratic Weather Conditions impacting operation.
Human Resource Risk	Our plantation is highly dependent on foreign labour especially from Indonesia for its operations. Policy changes, increased competition and intensified scrutiny of labour management may impact our operations turn leads to decrease in sales and profit.

INTERNAL AUDIT FUNCTION & SYSTEM

The IAD is responsible for undertaking regular and systematic review the adequacy and effectiveness of the Group's operations and system of internal controls based on annual audit plans which developed based on prioritization of the audit universe as determine using a risk-based approach. All operating units are audited at least twice a year by the internal auditors. The Internal Audit Findings are discussed at management level and management action plans are prepared that adequately address the Internal Audit Function's recommendations and findings arising from internal audits. The progress of the agreed actions plans have been effectively implemented through its follow-up reviews. The AC reviews all internal audit findings, management responses and the adequacy and effectiveness of the internal controls. The AC reports to the Board on a quarterly basis of its deliberations and recommendations.

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

During the year under review and up to the date of this Statement, the Group manages its risks by implementing various internal control mechanisms. The key elements of the internal control systems are as follows:

- The Group has established an organisational structure that is aligned with its business and operational requirements, with clearly defined lines of responsibility and authority levels;
- Relevant senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;
- Policies and procedures and rules relating to the delegation of authority and segregation of duties have been established for key business processes. The Group's policies and procedures are reviewed and revised periodically to meet changing business and operational needs and regulatory requirements.
- Annual business plans and budgets of the Group are prepared by business and operating units, reviewed and approved by the Board. The Group senior management meets on a monthly basis with operating management to review actual performance and significant variances against budget are monitored on a going basis.
- Regular management and operation meetings are conducted by management which comprises the Chief Executive Officer ("CEO") and divisional heads.
- Board meetings are held in quarterly basis with a formal agenda on matters for discussion. The Board is kept updated on the Group's activities and operations on a timely and regular basis.
- Periodic review and updates of risk profiles for principal risk and emerging risks both internal and external risks which will potentially derail the achievement of the business goals and objectives.
- Ensure internal audit programme covered identified principal risks. Audit findings throughout the financial period served as key feedback to validate effectiveness of risk management activities and embedded internal controls.
- Reviewed implementation progress of actionable programme, and evaluated post-implementation effectiveness.

The group will continue to enhance the adequacy and effectiveness of the internal control system of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this statement. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG ") 5 (Revised) issued by the Malaysian Institute of Accountants, which does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on the procedures performed, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. The Board has received assurance from the CEO and Corporate's General Managers of that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

This Statement on Risk Management and internal control is made in accordance with the resolution of the Board dated 4 April 2018.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee ("the Committee") of Rimbunan Sawit Berhad ("RSB" or "the Company") was established on 2 March 2006 and comprises the following members:

Chairman	:	Bong Wei Leong (Independent Director)
Members	:	Tiong Kiong King (Non-Independent Non-Executive Director)
		Tiong Ing Ming (Independent Director)

Mr. Bong Wei Leong is a member of the Malaysian Institute of Accountants, one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967. All members of the Audit Committee are financially literate.

KEY FUNCTIONS AND RESPONSIBILITIES

The Committee has clear written Terms of Reference ("TOR") defining its functions, qualifications for membership, scope of duties and responsibilities, regulations and procedures governing the manner in which the Committee is to operate and how decisions are to be taken.

The TOR is available on the Company's website at www.rsb.com.my.

MEETINGS AND ATTENDANCE

The Committee met six (6) times during the financial year ended 31 December 2017. All Committee meetings were attended by the Company Secretaries. Other Board members and the senior management staff attended the meetings upon invitation of the Committee to provide additional insight into matters to be discussed during the Committee meetings. The representatives of the internal and external auditors were also present during deliberations which required their inputs and advice.

The meeting attendance record of the Committee members was as follows:

	Numbers of meetings attended
Bong Wei Leong	6 out of 6
Tiong Kiong King	5 out of 6
Tiong Ing Ming	6 out of 6

All proceedings, matters arising, deliberations, in terms of the issue discussed, and resolutions at the Committee meetings are recorded in the minutes by the Company Secretaries, confirmed by the Committee, signed by the Chairman of the Committee or Chairman of the meeting and reported to the Board of Directors at the Board meetings.

SUMMARY OF THE WORK OF THE COMMITTEE

The following works were carried out by the Committee during the financial year ended 31 December 2017:

Financial Reporting

1. reviewed with the external auditors their audit for the financial year ended 31 December 2016 ("FY2016") to ensure that the audited financial statements were prepared to give a true and fair view in compliance with applicable Malaysian Financial Reporting Standards and the requirements of the Companies Act 1965; and discussed their audit findings and accounting issues arising from their audit together with their recommendations and management's responses; and considered management's handling of impairment assessment, corrected or uncorrected misstatements and unadjusted audit differences;

REPORT OF THE AUDIT COMMITTEE (CONT'D)

2. reviewed and recommended the audited financial statements of the Company and of the Group for FY2016 for the Board's approval; and

3. reviewed the unaudited quarterly results of the Group to ensure compliance with applicable approved accounting standards and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), appropriate accounting policies had been adopted and applied consistently and narrative disclosures made were correct and comprehensive.

External Audit

1. reviewed the audit plan for FY2017 with the external auditors with focus on the audit engagement team, areas of audit emphasis and impairment assessment, multilocation scoping and audit timeline;

2. assessed the independence and suitability of external auditors based on the External Auditors Policy adopted by the Board of Directors and recommended to the Board of Directors their re-appointment as external auditors and their audit fees; and

3. met with the external auditors twice in FY2017 without the presence of Executive Directors and senior management to enquire about management's co-operation with the external auditors, sought clarification on certain issues arising from the final audit and ascertained no significant weaknesses were noted in the internal control system and no frauds were noted in the course of their audit.

Internal Audit

1. reviewed the internal audit plan and was satisfied that the internal auditors employed a systematic and reasonable methodology to select suitable audit areas and the corresponding companies targeted for audit review;

2. reviewed and deliberated the internal auditors' reports which highlighted the risk profiles and assessments, their recommendations, management's responses and actions; an

3. reviewed the adequacy of the scope, functions, competency and resources of the internal audit function and was satisfied that the audit team has the relevant qualifications, adequate expertise and experience to conduct the audit competently and they have also demonstrate to provide quality audit performance.

Related Party Transactions

1. reviewed the adequacy of the disclosure on related party transactions entered into by the Company and the Group in the quarterly and annual reports;

2. reviewed the recurrent related party transactions ("RRPT") of the Group quarterly to:

   (i) ascertain that they were entered in accordance to the Company's established guidelines and procedures, and within the mandated limits, on normal commercial terms and were not detrimental to the interest of the Company and its minority shareholders; and

   (ii) monitored the aggregate value transacted to determine if the threshold had been breached to warrant immediate announcement to Bursa Securities Malaysia Bhd.

3. submitted the aforesaid RRPT to the Board of Directors for ratification and approval.

4. reviewed the draft Circular to Shareholders in relation to the proposed renewal of the existing shareholders' mandate for RRPT of a revenue or trading nature and recommended to the Board of Directors for approval.

REPORT OF THE AUDIT COMMITTEE (CONT'D)

Other

1. reviewed the draft Statement on Risk Management and Internal Control and draft Report of the Committee prior to recommending to the Board of Directors for approval; and

2. review and discuss the efficiency, effectiveness, and integrity of the internal control system; including risk management; information technology security and control; and financial and operation management.

3. meet at least quarterly with the head of Risk Management Committee to review and discuss the adequacy of the risk management functions in order to ensure that appropriate risk management functions is in place.

INTERNAL AUDIT FUNCTION

The Internal Audit provides independent assurance and advisory services designed to add value and improve the operations of the Group. Its scope encompasses, but is not limited to, through a systematic and regular reviews, the examination and evaluation of the adequacy and effectiveness of the Group's governance, risk assessment and internal control processes in relation to the Group's defined goals and objectives. The Committee approved the internal audit function's charter, which sets out its role, scope, accountability and authority.

Internal Audit function adopts a risk-based auditing approach towards planning and conduct of audits. The Internal Audit function is independent of the activities it audits, and is responsible for the regular review and/or appraisal of the internal control, management and governance processes with the Group in accordance with the principles of the Internal Audit Charter.

The Internal Audit reports based on the annual audit plan duly approved by the Committee and any unplanned audit reviews and special assignment undertaken by Internal Audit Department ("IAD") were issued to the Committee quarterly incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and management's comments on the findings. An established system has been put in place to ensure that all remedial actions have been taken on the agreed audit issues and recommendations highlighted in the audit reports. At each meeting, the Committee considered the results of the audits undertaken and considered the adequacy of management's response to matters raised, including time taken to resolve such matters. The tasks, responsibilities, and goals of the Committee and internal auditing are closely intertwined in many ways.

During the financial year ended 31 December 2017, the IAD had undertaken the following works:

- prepare the annual audit plan for approval by the Committee;

- conducted follow-up visits on the recommendations and action plans agreed by the Management and report to the Committee on the status of its implementation;

- reviewing and appraising the soundness, adequacy and application of the system of internal control for areas covering operational, inventories, fixed assets, business process system, and human resource of the Group and recommend improvement thereon; and

- identifying ways and opportunities to improve the effectiveness and efficiency of the operations and processes within the Group.

The total costs incurred for the internal audit functions of the Group for the FY 2017 was RM 644,709.99 (FY2016: RM 413,557.00). The additional increase in cost was mainly due to increase the frequency of operational audit visit from once to at least twice a year for all estates and increase manpower of the IAD.

This Report is made in accordance with the resolution of the Board of Directors dated 4 April 2018.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

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

The Directors are also required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the financial year end and of the results and cash flows of the Group and of the Company for the financial year then ended.

As required by the Act and the Listing Requirements, the financial statements have been prepared in accordance with the provisions of the Act, applicable Financial Reporting Standards and the requirements of the Main Market Listing Requirements.

In preparing these financial statements, the Directors have:

- adopted and consistently applied the appropriate and relevant accounting policies;
- made reasonable and prudent judgements and estimates; and
- prepared the financial statements on a going concern basis.

The Directors have responsibility to ensure the Group and the Company maintain proper accounting records which disclose with reasonable accuracy at any time, the financial position and performance of the Group and the Company, and to enable them to ensure the financial statements comply with the provisions of the Act and the Listing Requirements.

The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and 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 4 April 2018.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULT

	The Group RM	The Company RM
Loss after taxation for the financial year	155,766,214	23,267,952
Attributable to:-		
Owners of the Company	130,196,827	23,267,952
Non-controlling interests	25,569,387	-
	155,766,214	23,267,952

DIVIDENDS

No dividend was paid since the end of the previous financial year and the directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

DIRECTORS' REPORT (CONT'D)

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature, other than those disclosed in Note 8, 9,10 and 12 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Tiong Kiong King
Dato' Jin Kee Mou
Diong Hiew King @ Tiong Hiew King
Tiong Chiong Ong
Tiong Chiong Ie
Bong Wei Leong
Tiong Ing Ming

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Datuk Tiong Thai King
Datuk Stephen Timothy Wan Ullok
Penghulu Ngau Ajang
Hasbi Bin Suhaili
Junaidi Bin Reduan
Razali Bin Zainudin
YBhg. Datu Sajeli Bin Kipli (Appointed on 31.5.2017)
Sebastian Ak Baya
Stephen Jussem Dundon
YBhg. Datu Dr. Haji Sulaiman Bin Haji Husaini (Resigned on 31.5.2017)
Timothy Tiong Ing Zun
Wong Yiing Ngiik

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Direct Interests in the Company				
Diong Hiew King @ Tiong Hiew King	2,400,000	-	-	2,400,000
Tiong Kiong King	23,803,800	340,100	-	24,143,900
Tiong Chiong Ong	7,031,608	-	-	7,031,608
Tiong Chiong Ie	1,600,000	-	-	1,600,000
Dato' Jin Kee Mou	16,000	-	-	16,000
Tiong Ing Ming	200,000	-	-	200,000
Indirect Interests in the Company				
Diong Hiew King @ Tiong Hiew King	775,118,279	-	-	775,118,279
Tiong Kiong King	6,218,400	-	-	6,218,400
Tiong Chiong Ong	329,214	-	(2,500)	326,714
Tiong Chiong Ie	3,872,000	-	-	3,872,000

	Number of Irredeemable Convertible Preference Shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Indirect Interests in the Company				
Diong Hiew King @ Tiong Hiew King	164,876,929	-	-	164,876,929

By virtue of his shareholdings in the Company, Diong Hiew King @ Tiong Hiew King is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' REMUNERATION

The details of directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 34 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND OCCURRING AFTER THE REPORTING PERIOD

The significant events during the financial year and occurring after the reporting period are disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 28 to the financial statements.

Signed in accordance with a resolution of the directors dated 4 April 2018.

Tiong Kiong King
Director

Dato' Jin Kee Mou
Director

STATEMENT BY DIRECTORS

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

We, Tiong Kiong King and Dato' Jin Kee Mou, being two of the directors of Rimbunan Sawit Berhad, state that, in the opinion of the directors, the financial statements set out on pages 55 to 138 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 4 April 2018.

Tiong Kiong King
Director

Dato' Jin Kee Mou
Director

STATUTORY DECLARATION

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

I, Ling Tong Ung, MIA Membership Number: 5906, being the officer primarily responsible for the financial management of Rimbunan Sawit Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 138 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Ling Tong Ung, at Sibu
on this 4 April 2018.

Ling Tong Ung
Officer

Before me

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Rimbunan Sawit Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Impairment of Goodwill Refer to Note 12 in the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
The Group has goodwill with a cost stated at RM64.8 million as at 31 December 2017, which relates to the Group's oil palm plantation cash-generating units ("CGUs"). An impairment allowance of RM22.3 million (2016: RM4.0 million) was recognised for the financial year, with a resulting net carrying amount of goodwill of RM38.5 million. CGUs containing goodwill shall be tested for impairment on an annual basis. It is considered to be a key audit matter due to the significant judgement required in determining the assumptions used to estimate the recoverable amount.	Our procedures included, amongst others:- • evaluating and challenging the appropriateness and reasonableness of the assumptions applied to key inputs such as prices of crude palm oil, oil palm yield rates, operating costs and discount rate applied, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Impairment of Goodwill (Cont'd) Refer to Note 12 in the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
The recoverable amount of each CGU, being the higher of value-in-use and fair value less costs to sell, has been derived from discounted cash flows model. This model uses several key assumptions, including assumptions about future commodity prices and the appropriate discount rate as well as internal assumptions related to estimated gross profit margin, oil palm yield rates and future capital and operating expenditure.	Our procedures included, amongst others:- • performing sensitivity analysis, which included assessing the effect of reasonably possible reductions in key drivers (e.g. commodity prices, discount rate) of cash flows forecast to evaluate the impact on the currently estimated headroom. • evaluating the adequacy of the disclosures in the financial statements, including disclosures of key assumptions and judgements.

Impairment of Non-financial Assets Refer to Notes 8, 9 and 10 in the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
The Group has oil palm plantation assets, which includes property, plant and equipment, intangible assets and biological assets, with an aggregate carrying amount of RM1.2 billion as at 31 December 2017. An impairment allowance totalling RM109.7 million (2016: RM24.7 million) was recognised during the financial year in respect of these plantation assets. The Group shall assess at the end of each reporting period whether there is any indication that the plantation assets may be impaired. If any such indication exists, the Group shall estimate the recoverable amounts of these assets. Certain oil palm plantations of the Group have a history of losses mainly due to the low fresh fruit bunches yield. This was identified by management as an impairment indicator; and a value in use approach was adopted to determine the recoverable amounts of the plantation assets. We gave audit focus on the impairment of these plantation assets because the estimation of their recoverable amounts involves significant management judgement, including in respect of estimated future commodity prices, oil palm yield rates, operating costs and discount rate applied to future cash flows.	Our procedures included, amongst others:- • evaluating and challenging the appropriateness and reasonableness of the assumptions applied to key inputs such as prices of crude palm oil, oil palm yield rates, operating costs and discount rate applied, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry. • testing the sensitivity of the impairment calculations to changes in key assumptions used by management (e.g. commodity prices, discount rate) to evaluate the impact on the currently estimated headroom. • Evaluating the adequacy of the disclosures in the financial statements, including disclosures of key assumptions and judgements.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Liquidity Position Refer to Note 4 in the financial statements	
Key Audit Matter	**How our audit addressed the key audit matter**
The Group incurred a net loss of RM155.8 million (2016: RM75.7 million) for the financial year ended 31 December 2017 and, as at that date, the Group's current liabilities exceeded its current assets by RM198.2 million. The Group's operations are mainly financed by banking facilities that include term loans and short-term borrowings. As at 31 December 2017, the Group's bank borrowings amounted to RM584.9 million (2016: RM585.2 million). With regards to the above, management has considered the liquidity position of the Group, taking into account of the Group's cash requirements and funding sources available to meet its debt service obligations over the next 12 months. Given the potential for the lenders to review the banking facilities in view of the deteriorated financial performance, we gave audit focus on the ability of the Group to meet its obligations as and when they arise.	Our procedures included, amongst others:- • discussing with management to understand their plans for future action to source funds, and their cash requirements. • testing and analysing the cash flows forecast for the next 12 months to assess the Group's ability to service its debt obligations. • evaluating the adequacy of the disclosures in the financial statements with regards to the Group's liquidity position.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ling Hang Ngee
Approval No: 3188/07/19 (J)
Chartered Accountant

4 April 2018
Sibu, Sarawak

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		The Group		The Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	6	-	-	761,919,160	631,889,160
Investment in an associate	7	4,397,296	4,397,296	4,397,296	4,397,296
Property, plant and equipment	8	584,443,806	661,056,637	5,769,659	7,153,151
Intangible assets	9	1,159,006	19,973,364	1,151,213	1,705,513
Biological assets	10	595,407,682	782,469,895	-	-
Other investment	11	5,000,000	5,000,000	5,000,000	5,000,000
Goodwill	12	38,469,537	60,759,527	-	-
Deposits with licensed banks	13	102,381	102,381	-	-
		1,228,979,708	1,533,759,100	778,237,328	650,145,120
CURRENT ASSETS					
Inventories	14	22,213,483	21,338,079	-	-
Trade receivables	15	13,081,071	20,304,990	-	-
Other receivables, deposits and prepayments	16	54,223,493	17,433,162	3,407,914	768,475
Amount owing by subsidiaries	17	-	-	104,936,868	502,713,929
Current tax assets		4,995,907	5,688,481	-	-
Deposits with licensed banks	13	153,771	-	153,771	-
Cash and bank balances		1,132,253	1,612,358	39,432	39,682
		95,799,978	66,377,070	108,537,985	503,522,086
Assets classified as held for sale	18	143,808,049	-	-	-
TOTAL ASSETS		1,468,587,735	1,600,136,170	886,775,313	1,153,667,206

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	19	807,129,190	791,682,240	807,129,190	791,682,240
Reserves	20	(189,625,390)	(43,981,613)	9,419,164	48,134,066
Equity attributable to owners of the Company		617,503,800	747,700,627	816,548,354	839,816,306
Non-controlling interests	6	14,577,667	42,147,054	-	-
TOTAL EQUITY		632,081,467	789,847,681	816,548,354	839,816,306
NON-CURRENT LIABILITIES					
Borrowings	21	296,247,850	354,093,825	2,534,187	3,558,716
Deferred tax liabilities	23	102,429,481	126,914,642	450,612	719,275
		398,677,331	481,008,467	2,984,799	4,277,991
CURRENT LIABILITIES					
Trade payables	24	70,372,115	60,736,943	-	-
Other payables, deposits and accruals	25	75,282,625	33,807,961	5,636,109	9,612,419
Amount owing to subsidiaries	17	-	-	-	264,903,313
Borrowings:-	21				
- bank overdrafts		13,648,600	13,078,560	1,629,132	1,334,655
- other borrowings		274,957,032	218,032,991	59,029,998	32,230,619
Current tax liabilities		3,568,565	3,623,567	946,921	1,491,903
		437,828,937	329,280,022	67,242,160	309,572,909
TOTAL LIABILITIES		836,506,268	810,288,489	70,226,959	313,850,900
TOTAL EQUITY AND LIABILITIES		1,468,587,735	1,600,136,170	886,775,313	1,153,667,206

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
REVENUE	26	324,391,931	250,572,709	3,000,000	5,071,334
COST OF SALES		(301,050,603)	(245,429,329)	-	-
GROSS PROFIT		23,341,328	5,143,380	3,000,000	5,071,334
OTHER INCOME		2,072,044	4,400,703	9,427,097	14,917,297
DISTRIBUTION COSTS		(10,077,330)	(8,952,962)	-	-
ADMINISTRATIVE AND OTHER EXPENSES		(157,114,588)	(65,095,308)	(31,372,620)	(16,703,757)
FINANCE COSTS	27	(22,623,784)	(12,585,020)	(2,422,941)	(6,611,258)
LOSS BEFORE TAXATION	28	(164,402,330)	(77,089,207)	(21,368,464)	(3,326,384)
INCOME TAX EXPENSE	29	8,636,116	1,360,684	(1,899,488)	(1,624,712)
LOSS AFTER TAXATION		(155,766,214)	(75,728,523)	(23,267,952)	(4,951,096)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHESIVE INCOME FOR THE FINANCIAL YEAR		(155,766,214)	(75,728,523)	(23,267,952)	(4,951,096)
LOSS AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(130,196,827)	(66,665,246)	(23,267,952)	(4,951,096)
Non-controlling interests		(25,569,387)	(9,063,277)	-	-
		(155,766,214)	(75,728,523)	(23,267,952)	(4,951,096)
TOTAL COMPREHESIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(130,196,827)	(66,665,246)	(23,267,952)	(4,951,096)
Non-controlling interests		(25,569,387)	(9,063,277)	-	-
		(155,766,214)	(75,728,523)	(23,267,952)	(4,951,096)
LOSS PER SHARE (SEN)	30				
Basic		(6.38)	(3.27)		
Diluted		(6.38)	(3.27)		

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Group	Non-distributable: Shares Capital: Ordinary Share RM	Non-distributable: Shares Capital: Preference Shares RM	Non-distributable: Share Premium RM	Non-distributable: Merger Reserve RM	Distributable Retained Profits/ (Accumulated Losses) RM	Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
Balance at 1.1.2016	709,243,775	82,438,465	15,446,950	(53,065,553)	60,302,236	814,365,873	54,591,220	868,957,093
Loss after taxation/Total comprehensive income for the financial year	-	-	-	-	(66,665,246)	(66,665,246)	(9,063,277)	(75,728,523)
Contributions by and distributions to owners of the Company:-								
- dividends:-								
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	(3,380,889)	(3,380,889)
Balance at 31.12.2016/1.1.2017	709,243,775	82,438,465	15,446,950	(53,065,553)	(6,363,010)	747,700,627	42,147,054	789,847,681
Loss after taxation/Total comprehensive income for the financial year	-	-	-	-	(130,196,827)	(130,196,827)	(25,569,387)	(155,766,214)
Contributions by and distributions to owners of the Company:-								
- dividends:-								
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	(2,000,000)	(2,000,000)
Transfer to share capital upon implementation of the Companies Act 2016	15,446,950	-	(15,446,950)	-	-	-	-	-
Balance at 31.12.2017	724,690,725	82,438,465	-	(53,065,553)	(136,559,837)	617,503,800	14,577,667	632,081,467

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Company	← Non-distributable Share Capital Ordinary Shares RM	Preference Shares RM	→ Share Premium RM	Distributable Retained Profits RM	Total Equity RM
Balance at 1.1.2016	709,243,775	82,438,465	15,446,950	37,638,212	844,767,402
Loss after taxation/Total comprehensive income for the financial year	-	-	-	(4,951,096)	(4,951,096)
Balance at 31.12.2016/ 1.1.2017	709,243,775	82,438,465	15,446,950	32,687,116	839,816,306
Loss after taxation/Total comprehensive income for the financial year	-	-	-	(23,267,952)	(23,267,952)
Transfer to share capital upon implementation of the Companies Act 2016	15,446,950	-	(15,446,950)	-	-
Balance at 31.12.2017	724,690,725	82,438,465	-	9,419,164	816,548,354

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Loss before taxation	(164,402,330)	(77,089,207)	(21,368,464)	(3,326,384)
Adjustments for:-				
Allowance for stock obsolescence	1,196,363	-	-	-
Allowance for stock obsolescence no longer required	(14,428)	(5,945)	-	-
Amortisation of biological assets	40,389,658	39,949,443	-	-
Amortisation of intangible assets	896,323	794,135	584,054	573,772
Bad debts written off	445,211	611	300,046	-
Biological assets written off	507,976	47,905	-	-
Depreciation of property, plant and equipment	37,028,035	36,235,629	1,387,075	1,424,967
Dividend income	-	-	(3,000,000)	(5,071,334)
Gain on disposal of:-				
- intangible assets	(19,655)	-	(19,655)	-
- investment in a subsidiary	(48,141)	-	-	-
- property, plant and equipment	(290,241)	(264,403)	-	(89,388)
Impairment losses on:-				
- biological assets	75,758,180	14,377,483	-	-
- goodwill	22,289,990	4,000,000	-	-
- intangible assets	-	2,718,388	-	-
- investments in subsidiaries	-	-	24,970,000	-
- property, plant and equipment	33,895,079	7,612,678	-	-
- receivables	-	12,329,572	-	12,273,877
Interest expense	22,623,784	12,585,020	2,422,941	6,611,258
Interest income	(23,994)	(14,740)	(8,721,652)	(14,737,831)
Inventories written down	-	400,955	-	-
Inventories written off	-	1,513,103	-	-
Property, plant and equipment written off	665,626	179,439	1,417	-
Operating profit/(loss) before working capital changes	70,897,436	55,370,066	(3,444,238)	(2,341,063)
(Increase)/decrease in inventories	(2,057,339)	7,873,379	-	-
Increase in trade and other receivables	(30,011,623)	(12,804,184)	(2,939,485)	(49,075)
Increase/(decrease) in trade and other payables	51,112,936	9,079,275	(3,976,310)	(1,596,337)
CASH FROM/(FOR) OPERATIONS/ BALANCE CARRIED FORWARD	89,941,410	59,518,536	(10,360,033)	(3,986,475)

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
CASH FROM/(FOR) OPERATIONS/ BALANCE BROUGHT FORWARD		89,941,410	59,518,536	(10,360,033)	(3,986,475)
Income tax paid		(15,628,280)	(4,383,926)	(2,803,446)	(108,527)
Income tax refunded		461,848	412	90,313	412
Interest paid		(8,875,709)	(8,693,474)	(2,128,290)	(6,377,838)
Interest received		23,994	14,740	8,721,652	14,737,831
NET CASH FROM/(FOR) OPERATING ACTIVITIES		65,923,263	46,456,288	(6,479,804)	4,265,403
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	31	-	(200)	(4)	(200)
Advance to/(repayment from) subsidiaries		-	-	132,873,748	18,553,562
Costs incurred on biological assets		(17,286,934)	(25,851,709)	-	-
Dividend received		-	-	3,000,000	5,071,334
Proceeds from disposal of intangible assets		24,800	-	24,800	-
Proceeds from disposal of property, plant and equipment		3,832,436	4,179,630	-	859,751
Purchase of intangible assets		(43,004)	-	(34,899)	-
Purchase of property, plant and equipment	33(a)	(24,281,405)	(24,182,324)	(5,000)	(91,598)
Subscription of shares in subsidiaries		-	-	(154,999,996)	(5,000,000)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(37,754,107)	(45,854,603)	(19,141,351)	19,392,849
BALANCE CARRIED FORWARD		28,169,156	601,685	(25,621,155)	23,658,252

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
BALANCE BROUGHT FORWARD		28,169,156	601,685	(25,621,155)	23,658,252
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Dividend paid by subsidiaries to non-controlling interests		(2,000,000)	(3,380,889)	-	-
Drawdown of term loans		10,336,807	64,516,014	-	5,000,000
Net of (repayment)/drawdown of bankers' acceptance		(7,222,433)	7,526,723	-	-
Net of drawdown/(repayment) of revolving credit		43,500,000	(11,800,000)	26,800,000	(26,800,000)
Payment of interests on long-term borrowings		(18,617,596)	(19,660,118)	(294,651)	(233,420)
Repayment of hire purchase obligations		(5,733,224)	(5,148,543)	(119,066)	(112,670)
Repayment of term loans		(49,329,084)	(38,402,072)	(906,084)	(581,225)
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(29,065,530)	(6,348,885)	25,480,199	(22,727,315)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(896,374)	(5,747,200)	(140,956)	930,937
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(11,466,202)	(5,719,002)	(1,294,973)	(2,225,910)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33(b)	(12,362,576)	(11,466,202)	(1,435,929)	(1,294,973)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office, which is also the principal place of business, is North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 4 April 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

FRSs and IC Interpretations (Including the Consequential Amendments)
Amendments to FRS 107: Disclosure Initiative
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to FRS Standards 2014 – 2016 Cycles: Amendments to FRS 12: Clarification of the Scope of the Standard

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements except as follows:-

The amendments to FRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 33 to the financial statements.

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

3. BASIS OF PREPARATION (CONT'D)

3.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

FRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
FRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to FRS Standards 2014 – 2016 Cycles:	
• Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

As disclosed in Note 3.3 to the financial statements, the Group will be applying the Malaysian Financial Reporting Standards Framework for the next financial year. Therefore, the Group will not be adopting the above FRS, Interpretations and Amendments to FRSs.

3.3 On 30 November 2017, MASB issued notice of withdrawal of FRSs for the application on financial statements with annual reporting period beginning on or after 1 January 2018. Therefore, the Group has decided to adopt the MFRS Framework effective 1 January 2018.

In preparing the first MFRS financial statements in accordance with MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards' ("MFRS 1"), adjustments will be made to the financial statements of the Group/Company for the current financial year to ensure the comparative financial information in the first MFRS financial statements is comparable. Accordingly, the financial performance and financial position of the Group as presented in these financial statements could be different if prepared in accordance with MFRS. The adjustments required on transition are expected to be made retrospectively other than those exempted under MFRS 1.

The Group is currently assessing the impact of adopting MFRS 1, including identification of the differences in the existing accounting policies as compared to the MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the potential impact of the application of MFRS 1 cannot be determined and estimated reliably until the assessment is completed later.

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

4. GOING CONCERN

The financial statements of the Group are prepared on the basis of accounting principles applicable to going concern, notwithstanding that the Group incurred a net loss of RM155.8 million for the financial year ended 31 December 2017 and, as at that date, the Group's current liabilities exceeded its current assets by RM198.2 million.

In assessing the appropriateness of the use of going concern assumption, management has considered the Group's cash flows forecast for the financial year ending 31 December 2018. Management believes that the debt service obligations of the Group could be met out of operating cash flows and the proceeds arising from the sale of plantation assets as disclosed in Note 18 to the financial statements. In addition, management is contemplating the sale of other non-profitable oil palm plantation estates to improve the liquidity position of the Group.

In view of the above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements of the Group have been prepared on the going concern basis.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made 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 other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(c) Impairment of Property, plant and equipment, intangible assets and biological assets

The Group determines whether its property, plant and equipment, intangible assets and biological assets are impaired by evaluating the extent to which the recoverable amounts of these assets are less than their carrying amounts. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates.

(d) Impairment of Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. 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. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(e) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(f) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(g) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the directors are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group and the Company are remote.

5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 BASIS OF CONSOLIDATION (CONT'D)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations from 1 January 2011 Onwards

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

Business Combinations before 1 January 2011

The acquisitions of Baram Trading Sdn. Bhd. and Nescaya Palma Sdn. Bhd. by the Company have been accounted for as a business combination among entities under common control. Accordingly, the financial statements of the Group have been consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted based on the carrying amounts from the perspective of common control shareholders at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting debit or credit difference is classified as a non-distributable reserve.

All other subsidiaries are consolidated using the purchase method. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Non-controlling interests are initially measured at their share of the fair values of the identifiable assets and liabilities of the acquiree at the date of acquisition.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

<u>Business Combinations from 1 January 2011 Onwards</u>

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

<u>Business Combinations before 1 January 2011</u>

Under the purchase method, goodwill represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition.

If, after reassessment, the Group's interest in the fair values of the identifiable net assets of the subsidiaries exceeds the cost of the business combinations, the excess is recognised as income immediately in profit or loss.

<u>Interests in Associates</u>

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

5.4 FUNCTIONAL AND PRESENTATION CURRENCY

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in FRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(ii) Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment loss, with interest income recognised in profit or loss on an effective yield basis.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current assets.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

(iv) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are remeasured to their fair values at the end of each reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity into profit or loss.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iv) Available-for-sale Financial Assets (Cont'd)

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. Fair value through profit or loss category also comprises contingent consideration in a business combination.

(ii) Other Financial Liabilities

Other financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities 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.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

Ordinary Shares and Irredeemable Convertible Preference Shares ("ICPSs")

Ordinary shares and ICPSs are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares and ICPSs are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) 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 specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Company designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries as insurance contracts as defined in FRS 4 Insurance Contracts. The Company recognises these corporate guarantees as liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

5.7 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Company has a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investment includes transaction costs.

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2017. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with FRS 139. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate into profit or loss when the equity method is discontinued.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 PROPERTY, PLANT AND EQUIPMENT

All items of property plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Land and buildings	Over the lease period of 60 years and 5%
Leasehold land	Over the lease periods of 43 to 87 years
Buildings, drainage and roads	4% - 20%
Nursery irrigation systems	7½ - 10%
Motor vehicles, plant and machinery	10%
Equipment and furniture	10% - 100%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

5.9 INTANGIBLE ASSETS

(a) Computer Software

Computer software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Capitalised computer software is subsequently carried at cost less accumulated amortisation and impairment losses, if any. These costs are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the assets are derecognised.

(b) Commercial Rights on Licence for Planted Forest ("LPF")

Commercial rights on LPF represents rights granted to the Group to plant trees on licensed area, which will expire in March 2064.

The rights acquired by the Group are stated at cost less accumulated amortisation and impairment losses, if any. The cost is amortised on a straight-line basis over the remaining term of the licence of 55 years at the date of acquisition.

5.10 BIOLOGICAL ASSETS

Biological assets are stated at cost less accumulated amortisation and impairment losses, if any.

Planting expenditure incurred on land clearing, upkeep of immature trees, administrative expenses directly attributable to tree planting and interest incurred during the pre-cropping period is capitalised at cost as biological assets. Upon maturity, all subsequent maintenance expenditure is recognised in profit or loss. Pre-cropping cost is accounted for as follows:-

(a) Oil palm and rubber plantation – amortised on a straight-line basis over 25 years, the expected useful life of oil palm and rubber trees, upon maturity.

(b) Gaharu plantation – recognised in profit or loss upon harvesting of gaharu trees.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those categorised at fair value through profit or loss, investments in subsidiaries and investments in associates), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be an objective evidence of impairment.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and 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.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the fair value reserve. In addition, the cumulative loss recognised in other comprehensive income and accumulated in equity under fair value reserve, is reclassified from equity into profit or loss.

With the exception of available-for-sale debt instruments, 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss made is recognised in other comprehensive income.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent period.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which FRS 136 Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows 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 it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets (Cont'd)

An impairment loss is recognised in profit or loss immediately. Any impairment loss recognised in respect of cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating units on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

5.12 LEASED ASSETS

(a) Finance Lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase obligations.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:-

(a) Processed inventories – cost of raw materials, direct labour, and an appropriate proportion of production overheads, determined on a first-in first-out basis.

(b) Nursery inventories – all costs that are directly attributable to the nursery development activities.

(c) Sundry stores and consumables – original cost of purchase, determined on a weighted average basis.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

5.14 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

5.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, 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 with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

5.16 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

5.17 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss and included in the biological assets, where appropriate, in the period in which the associated services are rendered by employees of the Group.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.17 EMPLOYEE BENEFITS (CONT'D)

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the biological assets, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

5.18 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and 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 recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(c) Goods and Service Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.18 INCOME TAXES (CONT'D)

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

5.19 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.20 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

5.21 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5.22 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

5.23 BORROWING COSTS

Borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.24 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5.25 REVENUE AND OTHER INCOME

(a) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of goods and services tax, returns, cash and trade discounts.

(b) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(d) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.25 REVENUE AND OTHER INCOME (CONT'D)

(e) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

6. INVESTMENTS IN SUBSIDIARIES

	The Company 2017 RM	2016 RM
Unquoted shares, at cost	786,889,160	631,889,160
Less: Accumulated impairment losses	(24,970,000)	-
	761,919,160	631,889,160

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2017 %	2016 %	Principal Activities
Subsidiaries of the Company				
Baram Trading Sdn. Bhd.*	Malaysia	85	85	Cultivation of oil palm
Burung Tiong Helicopter Sdn. Bhd.*	Malaysia	85	85	Aircraft operations and services
Jayamax Plantation Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Lumiera Enterprise Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Nescaya Palma Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Novelpac-Puncakdana Plantation Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Pelita-Splendid Plantation Sdn. Bhd.#	Malaysia	70	70	Cultivation of oil palm
PJP Pelita Biawak Plantation Sdn. Bhd.#	Malaysia	85	85	Cultivation of oil palm

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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2017 %	2016 %	Principal Activities
Subsidiaries of the Company (Cont'd)				
PJP Pelita Ekang-Banyok Plantation Sdn. Bhd.*	Malaysia	60	60	Cultivation of oil palm
PJP Pelita Lundu Plantation Sdn. Bhd.	Malaysia	60	60	Cultivation of oil palm
PJP Pelita Selangau Plantation Sdn. Bhd.# *	Malaysia	60	60	Cultivation of oil palm
PJP Pelita Ulu Teru Plantation Sdn. Bhd.# *	Malaysia	60	60	Cultivation of oil palm
R.H. Plantation Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm and operation of palm oil mill
Rajang Agrisupplies Sdn. Bhd.*	Malaysia	100	100	Wholesaling and retailing of agricultural fertilisers
Rajang Builders Sdn. Bhd.*	Malaysia	100	100	Plantation contract work and provision of transportation services
Rakantama Sdn. Bhd.#	Malaysia	100	100	Insurance agency services
Rimbunan Sawit Management Services Sdn. Bhd. *	Malaysia	100	100	Investment holding and provision of management services
RSB Lundu Palm Oil Mill Sdn. Bhd.	Malaysia	100	-	Provision of milling services and growing of oil palm tree
RSB Palm Oil Mill Sdn. Bhd.	Malaysia	100	100	Operation of palm oil mill
Timrest Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Topline Synergy Sdn. Bhd.	Malaysia	100	-	Management consultancy services

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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2017 %	2016 %	
Subsidiaries of the Company (Cont'd)				
Woodijaya Sdn. Bhd.*	Malaysia	100	100	Cultivation of oil palm
Subsidiary of Nescaya Palma Sdn. Bhd.				
Formasi Abadi Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Subsidiary of Rimbunan Sawit Management Services Sdn. Bhd.				
Midas Plantation Sdn. Bhd.	Malaysia	-	100	Wound up

These subsidiaries were audited by other firms of chartered accountants.

* The auditors' report on the financial statements of the subsidiary includes a "Material Uncertainty Related to Going Concern" regarding the ability of the subsidiary to continue as a going concern in view of its capital deficiency position as at the end of the current reporting period. The financial statements were prepared on a going concern basis as the Company has undertaken to provide continued financial support to the subsidiary.

(a) During the financial year, the Company acquired 100% equity interests in RSB Lundu Palm Oil Mill Sdn. Bhd. and Topline Synergy Sdn. Bhd. The details of the acquisitions are disclosed in Note 31 to the financial statements.

(b) During the current financial year, Midas Plantation Sdn. Bhd., a wholly-owned subsidiary of the Group, completed its members' voluntary winding up procedures. As a result, Midas Plantation Sdn. Bhd. ceased to be a subsidiary of the Group. The details of the disposal are disclosed in Note 32 to the financial statements.

(c) In the previous financial year, the Company had acquired 100% equity interest in Rakantama Sdn. Bhd. The details of the acquisition are disclosed in Note 31 to the financial statements.

(d) During the financial year, the Company carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been persistently making losses. A total impairment loss of RM24,970,000 (2016: Nil), representing the write-down of the investments to their recoverable amounts, was recognised in "Administrative and Other Expenses" line item of the statement of profit or loss and other comprehensive income. The recoverable amounts were determined based on their value in use approach and the pre-tax discount rate used was 10.0% (2016: 8.50%) per annum.

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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2017 %	2016 %	2017 RM	2016 RM
PJP Pelita Biawak Plantation Sdn. Bhd. ("Biawak")	15	15	5,191,570	8,671,344
PJP Pelita Ekang-Banyok Plantation Sdn. Bhd. ("Ekang-Banyok")	40	40	(2,126,746)	(382,421)
PJP Pelita Lundu Plantation Sdn. Bhd.("Lundu")	40	40	24,910,758	30,220,793
PJP Pelita Selangau Plantation Sdn. Bhd. ("Selangau")	40	40	(13,257,500)	(790,603)
PJP Pelita Ulu Teru Plantation Sdn. Bhd. ("Ulu Teru")	40	40	454,303	3,923,708
Other individually immaterial subsidiaries			(594,718)	504,233
			14,577,667	42,147,054

(f) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows:-

	Biawak	
	2017 RM	2016 RM
At 31 December		
Non-current assets	46,908,213	80,137,028
Current assets	2,179,758	2,192,425
Non-current liabilities	(9,369,517)	(17,421,508)
Current liabilities	(5,107,989)	(7,098,984)
Net assets	34,610,465	57,808,961
Financial year ended 31 December		
Revenue	9,897,937	9,201,784
Loss for the financial year	(23,198,496)	(3,473,153)
Total comprehensive income	(23,198,496)	(3,473,153)
Total comprehensive income attributable to non-controlling interests	(3,479,774)	(520,973)
Dividends paid to non-controlling interests	-	-
Net cash flows from operating activities	5,182,409	2,138,673
Net cash flows for investing activities	(909,967)	(605,318)
Net cash flows for financing activities	(4,287,722)	(1,544,582)

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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(f) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows (cont'd):-

	Ekang-Banyok 2017 RM	Ekang-Banyok 2016 RM
At 31 December		
Non-current assets	52,984,072	51,753,028
Current assets	1,283,577	957,276
Non-current liabilities	(18,253,297)	(21,114,785)
Current liabilities	(41,331,218)	(32,551,572)
Net assets	(5,316,866)	(956,053)
Financial year ended 31 December		
Revenue	5,952,772	3,543,118
Loss for the financial year	(4,360,813)	(4,023,188)
Total comprehensive income	(4,360,813)	(4,023,188)
Total comprehensive income attributable to non- controlling interests	(1,744,325)	(1,609,275)
Dividends paid to non-controlling interests	-	-
Net cash flows for operating activities	(931,850)	(11,539,400)
Net cash flows for investing activities	(2,551,868)	(2,085,976)
Net cash flows from financing activities	3,494,376	13,485,903

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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(f) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows (cont'd):-

	Lundu	
	2017 RM	2016 RM
<u>At 31 December</u>		
Non-current assets	93,675,757	114,307,568
Current assets	3,347,664	3,676,047
Non-current liabilities	(21,984,366)	(26,751,528)
Current liabilities	(12,762,161)	(15,680,105)
Net assets	62,276,894	75,551,982
<u>Financial year ended 31 December</u>		
Revenue	26,758,881	24,108,143
Loss for the financial year	(8,275,088)	(2,620,237)
Total comprehensive income	(8,275,088)	(2,620,237)
Total comprehensive income attributable to non-controlling interests	(3,310,035)	(1,048,095)
Dividends paid to non-controlling interests	(2,000,000)	(3,380,889)
Net cash flows from operating activities	15,694,590	7,109,818
Net cash flows for investing activities	(2,575,656)	(662,725)
Net cash flows for financing activities	(13,148,783)	(6,592,844)

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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(f) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows (cont'd):-

	Selangau 2017 RM	Selangau 2016 RM
At 31 December		
Non-current assets	52,558,058	78,364,136
Current assets	1,028,315	1,662,010
Non-current liabilities	-	-
Current liabilities	(86,730,123)	(82,002,654)
Net liabilities	(33,143,750)	(1,976,508)
Financial year ended 31 December		
Revenue	4,910,090	6,113,345
Loss for the financial year	(31,167,242)	(6,779,363)
Total comprehensive income	(31,167,242)	(6,779,363)
Total comprehensive income attributable to non-controlling interests	(12,466,897)	(2,711,745)
Dividends paid to non-controlling interests	-	-
Net cash flows from operating activities	1,100,089	1,229,914
Net cash flows for investing activities	(1,385,846)	(1,751,244)
Net cash flows from financing activities	11,051	531,943

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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(f) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests that are material to the Group is as follows (cont'd):-

	Ulu Teru 2017 RM	Ulu Teru 2016 RM
At 31 December		
Non-current assets	139,514,383	134,582,954
Current assets	5,284,322	5,438,814
Non-current liabilities	(38,284,872)	(45,373,388)
Current liabilities	(105,378,075)	(84,839,110)
Net assets	1,135,758	9,809,270
Financial year ended 31 December		
Revenue	12,366,584	8,725,586
Loss for the financial year	(8,673,512)	(5,167,817)
Total comprehensive income	(8,673,512)	(5,167,817)
Total comprehensive income attributable to non-controlling interests	(3,469,405)	(2,067,127)
Dividends paid to non-controlling interests	-	-
Net cash flows from operating activities	2,125,954	4,061,170
Net cash flows for investing activities	(8,618,553)	(4,421,122)
Net cash flows from financing activities	4,414,950	150,636

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

7. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted shares, at cost	25,137,296	25,137,296	25,137,296	25,137,296
Share of post-acquisition reserves	(1,622,514)	(1,622,514)	-	-
	23,514,782	23,514,782	25,137,296	25,137,296
Less: Accumulated impairment losses	(19,117,486)	(19,117,486)	(20,740,000)	(20,740,000)
	4,397,296	4,397,296	4,397,296	4,397,296

The details of the associate are as follows:-

Name of Associate	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2017 %	2016 %	
Lubuk Tiara Sdn Bhd#	Malaysia	44	44	Cultivation of oil palm

The associate was audited by other firms of chartered accountants.

(a) The Group recognised its share of results in the associate based on the unaudited financial statements drawn up to 31 December 2015.

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

8. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2017 RM	Additions RM	Disposals RM	Write-offs RM	Reclassifi-cations RM	Depreciation Charges RM	Impairment Losses RM	Classified as Held for Sale (Note 18) RM	At 31.12.2017 RM
2017									
Carrying Amount									
Land and buildings	2,116,362	-	-	-	-	(194,547)	-	-	1,921,815
Leasehold land	190,474,490	-	-	-	-	(3,791,640)	-	-	186,682,850
Buildings, drainage and roads	344,595,528	4,396,613	(209,770)	(5)	33,313,792	(28,591,224)	(33,895,079)	(28,945,637)	290,664,218
Nursery irrigation systems	122,451	21,912	-	(4)	-	(18,798)	-	-	125,561
Motor vehicles, plant and machinery	31,450,881	9,923,966	(3,207,035)	(23,620)	55,977,107	(6,544,585)	-	-	87,576,714
Equipment and furniture	8,743,211	1,262,841	(125,390)	(28,835)	389,310	(2,228,665)	-	-	8,012,472
Capital work-in-progress	83,553,714	16,202,073	-	(613,162)	(89,682,449)	-	-	-	9,460,176
	661,056,637	31,807,405	(3,542,195)	(665,626)	(2,240)	(41,369,459)	(33,895,079)	(28,945,637)	584,443,806

The Group	At 1.1.2016 RM	Additions RM	Disposals RM	Write-offs RM	Reclassifi-cations RM	Depreciation Charges RM	Impairment Losses RM	At 31.12.2016 RM
2016								
Carrying Amount								
Land and buildings	2,310,910	-	-	-	-	(194,548)	-	2,116,362
Leasehold land	194,653,606	54,000	-	-	-	(4,233,116)	-	190,474,490
Buildings, drainage and roads	384,201,594	2,961,890	(633,335)	-	3,080,156	(37,402,099)	(7,612,678)	344,595,528
Nursery irrigation systems	140,155	-	-	-	-	(17,704)	-	122,451
Motor vehicles, plant and machinery	23,168,992	13,936,769	(3,220,676)	(98,342)	1,268,908	(3,604,770)	-	31,450,881
Equipment and furniture	9,818,176	1,096,665	(17,042)	(2,134)	124,682	(2,277,136)	-	8,743,211
Capital work-in-progress	71,341,030	16,855,606	(44,174)	(78,963)	(4,519,785)	-	-	83,553,714
	685,634,463	34,904,930	(3,915,227)	(179,439)	(46,039)	(47,729,373)	(7,612,678)	661,056,637

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

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group	At Cost RM	Accumulated Depreciation RM	Accumulated Impairment Losses RM	Carrying Amount RM
2017				
Land and buildings	3,406,273	(1,484,458)	-	1,921,815
Leasehold land	221,022,512	(34,339,662)	-	186,682,850
Buildings, drainage and roads	534,939,251	(207,409,962)	(36,865,071)	290,664,218
Nursery irrigation systems	198,945	(73,384)	-	125,561
Motor vehicles, plant and machinery	170,865,842	(83,289,128)	-	87,576,714
Equipment and furniture	24,992,104	(16,979,632)	-	8,012,472
Capital work-in-progress	9,460,176	-	-	9,460,176
	964,885,103	(343,576,226)	(36,865,071)	584,443,806
2016				
Land and buildings	3,406,273	(1,289,911)	-	2,116,362
Leasehold land	221,022,512	(30,548,022)	-	190,474,490
Buildings, drainage and roads	541,990,918	(189,782,712)	(7,612,678)	344,595,528
Nursery irrigation systems	661,340	(538,889)	-	122,451
Motor vehicles, plant and machinery	114,326,070	(82,875,189)	-	31,450,881
Equipment and furniture	23,648,811	(14,905,600)	-	8,743,211
Capital work-in-progress	83,553,714	-	-	83,553,714
	988,609,638	(319,940,323)	(7,612,678)	661,056,637

The Company	At 1.1.2017 RM	Additions RM	Write-offs RM	Depreciation Charges RM	At 31.12.2017 RM
2017					
Carrying Amount					
Buildings	3,737,511	-	-	(452,597)	3,284,914
Motor vehicles	334,242	-	-	(44,331)	289,911
Equipment and furniture	3,081,398	5,000	(1,417)	(890,147)	2,194,834
	7,153,151	5,000	(1,417)	(1,387,075)	5,769,659

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

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	At 1.1.2016 RM	Additions RM	Write-offs RM	Depreciation Charges RM	At 31.12.2016 RM
Carrying Amount					
Buildings	4,775,749	40,184	(621,113)	(457,309)	3,737,511
Motor vehicles	534,450	-	(149,250)	(50,958)	334,242
Equipment and furniture	3,946,684	51,414	-	(916,700)	3,081,398
	9,256,883	91,598	(770,363)	(1,424,967)	7,153,151

The Company	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
2017			
Buildings	4,503,043	(1,218,129)	3,284,914
Motor vehicles	1,010,144	(720,233)	289,911
Equipment and furniture	5,477,593	(3,282,759)	2,194,834
	10,990,780	(5,221,121)	5,769,659
2016			
Buildings	4,503,043	(765,532)	3,737,511
Motor vehicles	1,010,144	(675,902)	334,242
Equipment and furniture	5,477,593	(2,396,195)	3,081,398
	10,990,780	(3,837,629)	7,153,151

(a) Included in the depreciation charge of the Group for the financial year is an amount of RM4,341,424 (2016: RM11,493,744), which is capitalised under biological assets.

(b) Included in the property, plant and equipment of the Group and of the Company at the end of the reporting period are motor vehicles, plant and machinery with a total carrying amount of RM15,462,669 (2016: RM11,644,436) and RM256,493 (2016: RM291,872) respectively, which are acquired under hire purchase terms. These leased assets have been pledged as security for the related finance lease liabilities of the Group and of the Company as disclosed in Note 22 to the financial statements.

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

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) The carrying amount of property, plant and equipment pledged to licensed banks as security for banking facilities granted to the Group (Note 21) is as follows:-

	The Group 2017 RM	The Group 2016 RM
Leasehold land	144,706,863	147,592,747
Buildings, drainage and roads	213,411,270	232,389,544
Motor vehicles, plant and machinery	57,358,263	-
Nursery irrigation systems	-	4
Capital work-in-progress	8,269,848	82,961,738
	423,746,244	462,944,033

(d) Interest expense capitalised during the financial year under capital work-in-progress of the Group amounted to Nil (2016: RM2,516,616).

(e) The leasehold land of the Group at the end of the reporting period is analysed as follows:-

	The Group 2017 RM	The Group 2016 RM
Unexpired period of less than 50 years	184,402,115	124,664,122
Unexpired period of more than 50 years	2,280,735	65,810,368
	186,682,850	190,474,490

(f) During the financial year, the Group carried out a review of the recoverable amounts of its plantation assets because certain oil palm plantation had been persistently making losses. An impairment loss of RM33,895,079 (2016: RM7,612,678), representing the write-down of the buildings, drainage and roads to the recoverable amounts, was recognised in "Administrative and Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 28 to the financial statements. The recoverable amounts of the plantation assets were based on:-

(i) their value in use, with a pre-tax discount rate of 10.0% (2016: 8.5%) per annum; and
(ii) their fair value less costs to sell, which was based on the discounted cash flows method performed by an independent external valuation expert.

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

9. INTANGIBLE ASSETS

The Group	At 1.1.2017 RM	Additions RM	Disposals RM	Amortisation Charge RM	Classified as Held for Sale (Note 18) RM	At 31.12.2017 RM
2017						
Carrying Amount						
Computer software	1,709,246	43,004	(5,145)	(588,099)	-	1,159,006
Commercial rights on LPF	18,264,118	-	-	(358,706)	(17,905,412)	-
	19,973,364	43,004	(5,145)	(946,805)	(17,905,412)	1,159,006

	At 1.1.2016 RM	Amortisation Charge RM	Impairment Losses RM	At 31.12.2016 RM
2016				
Carrying Amount				
Computer software	2,288,927	(579,681)	-	1,709,246
Commercial rights on LPF	21,394,601	(412,095)	(2,718,388)	18,264,118
	23,683,528	(991,776)	(2,718,388)	19,973,364

The Group	At Cost RM	Accumulated Amortisation RM	Accumulated Impairment Losses RM	Carrying Amount RM
2017				
Computer software	3,893,051	(2,734,045)	-	1,159,006
2016				
Computer software	3,894,148	(2,184,902)	-	1,709,246
Commercial rights on LPF	23,592,442	(2,609,936)	(2,718,388)	18,264,118
	27,486,590	(4,794,838)	(2,718,388)	19,973,364

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

9. INTANGIBLE ASSETS (CONT'D)

The Company	At 1.1.2017 RM	Additions RM	Disposals RM	Amortisation Charge RM	At 31.12.2017 RM
2017					
Carrying Amount					
Computer software	1,705,513	34,899	(5,145)	(584,054)	1,151,213

	At 1.1.2016 RM	Amortisation Charge RM	At 31.12.2016 RM
2016			
Carrying Amount			
Computer software	2,279,285	(573,772)	1,705,513

The Company	At Cost RM	Accumulated Amortisation RM	Carrying Amount RM
2017			
Computer software	3,284,391	(2,133,178)	1,151,213
2016			
Computer software	3,293,592	(1,588,079)	1,705,513

(a) Included in the amortisation charge of the Group for the financial year is an amount of RM50,482 (2016: RM197,641), which is capitalised under biological assets.

(b) Commercial rights on LPF are rights conferred upon the Group to plant trees under the Tree Planting Plan. The licence will expire in March 2064.

The Tree Planting Plan has been approved and incorporated the planting of oil palm for a maximum period of 25 years (with 13 years remaining at the end of the reporting period). Upon expiry of the said period of 25 years, the licensed area where oil palm is permitted to be cultivated shall be planted with trees other than oil palm.

(c) In the previous financial year, the Group made an impairment allowance of RM2,718,388 in respect of its commercial rights on LPF because of the impending disposal of the asset below its carrying amount as disclosed in Note 40 to the financial statements. The recoverable amount of the commercial right was based on the discounted cash flows method performed by an independent external valuation expert.

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

10. BIOLOGICAL ASSETS

	At 1.1.2017 RM	Additions RM	Write-offs RM	Reclassifi-cations RM	Amortisation Charge RM	Impairment Losses RM	Classified as Held for Sale (Note 18) RM	At 31.12.2017 RM
THE GROUP								
2017								
Carrying Amount								
Oil palm plantation	764,851,145	24,907,859	(507,976)	2,240	(40,389,658)	(75,758,180)	(96,957,000)	576,148,430
Gaharu plantation	9,040,370	529,319	-	-	-	-	-	9,569,689
Rubber plantation	8,578,380	1,111,183	-	-	-	-	-	9,689,563
	782,469,895	26,548,361	(507,976)	2,240	(40,389,658)	(75,758,180)	(96,957,000)	595,407,682

	At 1.1.2016 RM	Additions RM	Write-offs RM	Reclassifi-cations RM	Amortisation Charge RM	Impairment Losses RM	At 31.12.2016 RM
THE GROUP							
2016							
Carrying Amount							
Oil palm plantation	772,892,911	46,291,547	(41,715)	35,328	(39,949,443)	(14,377,483)	764,851,145
Gaharu plantation	6,241,875	2,787,784	-	10,711	-	-	9,040,370
Rubber plantation	6,862,661	1,715,719	-	-	-	-	8,578,380
Banana plantation	6,190	-	(6,190)	-	-	-	-
	786,003,637	50,795,050	(47,905)	46,039	(39,949,443)	(14,377,483)	782,469,895

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

10. BIOLOGICAL ASSETS (CONT'D)

The Group	At Cost RM	Accumulated Amortisation RM	Accumulated Impairment Losses RM	Carrying Amount RM
2017				
Oil palm plantation	949,985,157	(288,048,539)	(85,788,188)	576,148,430
Gaharu plantation	9,569,689	-	-	9,569,689
Rubber plantation	9,689,563	-	-	9,689,563
	969,244,409	(288,048,539)	(85,788,188)	595,407,682
2016				
Oil palm plantation	1,031,409,396	(252,180,768)	(14,377,483)	764,851,145
Gaharu plantation	9,040,370	-	-	9,040,370
Rubber plantation	8,578,380	-	-	8,578,380
	1,049,028,146	(252,180,768)	(14,377,483)	782,469,895

(a) The biological assets include the following expenses:-

	The Group 2017 RM	2016 RM
Amortisation of intangible assets	50,482	197,641
Depreciation of property, plant and equipment	4,341,424	11,493,744
Finance costs:-		
- bankers' acceptance	-	5,414
- bank overdrafts	58,882	256,067
- hire purchase obligations	80,455	44,193
- revolving credit	904,203	6,074,285
- term loans	3,825,981	6,871,997
Rental on:-		
- equipment	10,433	4,757
- land	-	1,600
- plant and machinery	388,033	412,933
- premises	-	10,189
- wharf	130	3,731
Staff costs:-		
- short-term employee benefits	2,228,505	3,337,664
- defined contribution plan	308,134	515,738

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

10. BIOLOGICAL ASSETS (CONT'D)

(b) The carrying amount of biological assets pledged to licensed banks as security for banking facilities granted to the Group (Note 21) is RM415,195,702 (2016: RM550,918,632).

(c) During the financial year, the Group carried out a review of the recoverable amounts of its plantation assets because certain oil palm plantations had been persistently making losses. An impairment loss of RM75,758,180 (2016: RM14,377,483), representing the write down of the biological assets to the recoverable amounts was recognised in "Administrative and Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 28 to the financial statements. The recoverable amounts of the plantation assets were based on:-

(i) their value in use, with a pre-tax discount rate of 10.0% (2016: 8.5%) per annum; and
(ii) their fair value less costs to sell, which was based on the discounted cash flows method performed by an independent external valuation expert.

11. OTHER INVESTMENT

	The Group/The Company	
	2017 RM	2016 RM
Unquoted shares, at cost	5,000,000	5,000,000

Investments in unquoted shares of the Group and of the Company are designated as available-for-sale financial assets but are stated at cost as their fair values cannot be reliably measured using valuation techniques due to the lack of marketability of the shares.

12. GOODWILL

	The Group	
	2017 RM	2016 RM
Cost:-		
At 1 January	64,759,527	64,746,109
Acquisitions of subsidiaries (Note 31)	-	13,418
At 31 December	64,759,527	64,759,527
Accumulated impairment losses:-		
At 1 January	4,000,000	-
Impairment during the financial year (Note 28)	22,289,990	4,000,000
At 31 December	26,289,990	4,000,000
	38,469,537	60,759,527

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. GOODWILL (CONT'D)

Goodwill acquired through business combination has been allocated to the Group's oil palm plantation cash-generating units.

The Group has assessed the recoverable amount of goodwill allocated and determined that an impairment loss of RM22,289,990 (2016: RM4,000,000) is required. The recoverable amount of the cash-generating unit is determined using the value in use approach, and this is derived from the present value of the future cash flows from the cash-generating unit computed based on the projections of financial budgets approved by the management covering a period of 5 years. Cash flows beyond the 5th year are extrapolated to the remaining life cycles of the plantation estates, which range from 6 to 23 years. The key assumptions used in the determination of the recoverable amount are as follows:-

(i) Discount rate (pre-tax) – an estimate of pre-tax rate that reflects specific risks relating to oil palm plantation, which is 10.00% (2016: 8.50%) per annum.

(ii) Growth rate – management's estimate of commodity prices, oil palm yields and oil extraction rates.

(iii) Selling prices of fresh fruit bunches – an estimate based on expectations of future changes in the market.

(iv) Development and direct costs – an estimate based on past practices and experience.

13. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group at the end of the reporting period have been pledged to a licensed bank as security for banking facilities granted to the Group (Note 21).

The deposits of the Group earn interest at rate of 3.45% (2016: 3.45%) per annum and have maturity period of 22 (2016: 34) months.

The deposits of the Company earn interest at rates ranging from 3.25% to 3.40% (2016: Nil) per annum and have maturity period of 30 (2016: Nil) days.

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

14. INVENTORIES

	The Group 2017 RM	The Group 2016 RM
At cost:-		
Processed inventories	6,196,893	2,813,334
Nursery inventories	4,484,008	4,496,069
Sundry stores and consumables	12,948,075	13,095,528
	23,628,976	20,404,931
Less: Allowance for stock obsolescence	(1,415,493)	(233,558)
	22,213,483	20,171,373
At net realisable value:-		
Nursery inventories	-	1,166,706
	22,213,483	21,338,079

15. TRADE RECEIVABLES

	The Group 2017 RM	The Group 2016 RM
Trade receivables:-		
- third parties	12,360,501	12,432,040
- related parties	720,570	7,872,950
	13,081,071	20,304,990

The Group's normal trade credit terms range from 7 to 60 (2016: 7 to 60) days.

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

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables:-				
- third parties	3,511,696	3,882,325	43	16,183
- related parties	21,248,883	19,297,699	12,608,817	12,467,589
- goods and services tax recoverable	2,325,784	2,229,567	45,333	53,103
	27,086,363	25,409,591	12,654,193	12,536,875
Deposits	36,062,994	686,908	2,010,458	257,968
Prepayments	3,403,708	3,666,235	1,017,140	247,509
	66,553,065	29,762,734	15,681,791	13,042,352
Less: Allowance for impairment losses	(12,329,572)	(12,329,572)	(12,273,877)	(12,273,877)
	54,223,493	17,433,162	3,407,914	768,475
Allowance for impairment losses:-				
At 1 January	12,329,572	-	12,273,877	-
Addition during the financial year	-	12,329,572	-	12,273,877
At 31 December	12,329,572	12,329,572	12,273,877	12,273,877

(a) The amount owing by related parties is unsecured, interest-free and repayable on demand.

(b) Included in the deposits of the Group is an amount of RM33,550,000 (2016: Nil) for the impending acquisition of a palm oil mill as disclosed in Note 40 to the financial statements.

17. AMOUNT OWING BY/(TO) SUBSIDIARIES

(a) The amounts owing represent unsecured advances and payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

(b) The amount owing by subsidiaries earns interest at rate of 5.30% (2016: 4.85%) per annum.

(c) The amount owing to subsidiaries bears interest at rate of Nil (2016: 4.83%) per annum.

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

18. ASSETS CLASSIFIED AS HELD FOR SALE

During the financial year, management is contemplating a plan to sell its license rights in relation to a plantation estate. The Company entered into a conditional agreement with Tiasa Mesra Sdn. Bhd. ("TMSB") to dispose of all the rights, titles and interests in relation to a plantation estate via an absolute agreement, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto for a purchase consideration of RM150.0 million to be satisfied in cash. Accordingly, non-current assets relating to that particular plantation estate is presented as assets classified as held for sale.

As at 31 December 2017, the assets classified as held for sale was stated at their carrying amounts which was lower than their fair value less costs to sell.

	The Group 2017 RM
Assets classified as held for sale:-	
Property, plant and equipment (Note 8)	28,945,637
Intangible assets (Note 9)	17,905,412
Biological assets (Note 10)	96,957,000
	143,808,049

19. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Company are as follows:-

	The Group/The Company			
	2017	2016	2017	2016
	Number of Shares		RM	RM
Authorised				
Ordinary shares of RM0.50 each	N/A	2,200,000,000	N/A	1,100,000,000
ICPS of RM0.50 each	N/A	300,000,000	N/A	150,000,000
Total	N/A	2,500,000,000	N/A	1,250,000,000

N/A Not applicable pursuant to the Companies Act 2016 which came into operation on 31 January 2017 as disclosed in item (b) below.

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

19. SHARE CAPITAL (CONT'D)

	The Group/The Company			
	2017	2016	2017	2016
	Number of Shares		RM	RM
Issued and Fully Paid-up				
(i) Ordinary shares with no par value (2016: par value of RM0.50 each)				
At 1 January	1,418,487,551	1,418,487,551	709,243,775	709,243,775
Transfer from share premium account (refer item (b) below)	-	-	15,446,950	-
	1,418,487,551	1,418,487,551	724,690,725	709,243,775
(ii) ICPS of RM0.50 each				
At 1 January/31 December	164,876,929	164,876,929	82,438,465	82,438,465
Total	1,583,364,480	1,583,364,480	807,129,190	791,682,240

(a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per share at meetings of the Company.

(b) On 31 January 2017, the concepts of authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. Consequently, the amount standing to the credit of the Company's share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may within 24 months from the commencement of the Companies Act 2016, use the amount outstanding in the share premium account of RM15,446,950 for purposes as set out in Section 618(3) of the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

19. SHARE CAPITAL (CONT'D)

(c) The salient features of the ICPSs are as follows:-

(i) Dividend — The ICPS holders are entitled to any dividend declared or paid ranking pari passu with ordinary shares, payable on the date dividends are paid on the ordinary shares. The ICPS holders shall not be entitled to any other rights, allotments, and/or other distributions that may be declared by the Company.

(ii) Maturity — The maturity date is the tenth anniversary date of the issue date of the ICPSs. The ICPSs were issued on 1 October 2010.

(iii) Conversion — The ICPSs shall be converted at the option of the ICPS holders into ordinary shares of the Company at any time up to the maturity date. The ICPSs are not redeemable for cash. All outstanding ICPSs are mandatorily converted into new ordinary shares upon maturity. One ICPS shall be converted into 3.78 new ordinary shares.

(iv) Ranking — All new ordinary shares issued upon conversion of the ICPSs shall rank pari passu with all existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, the entitlement date of which is prior to the date of allotment of the said new ordinary shares.

(v) Voting right — The ICPS holders shall have no right to vote at any general meeting of the Company except on resolutions to amend the ICPS holders' rights, to commence dissolution of the Company, or when dividend on the ICPSs is in arrears for more than six months.

(vi) Further participation — The ICPS holders shall not be entitled to participate in the profit or surplus assets of the Company.

20. RESERVES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Share premium	-	15,446,950	-	15,446,950
Merger reserve	(53,065,553)	(53,065,553)	-	-
(Accumulated losses)/retained profits	(136,559,837)	(6,363,010)	9,419,164	32,687,116
	(189,625,390)	(43,981,613)	9,419,164	48,134,066

(a) The share premium reserve represents the premium paid on subscription of shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). Pursuant to Section 618(2) of the Companies Act 2016, the sum of RM15,446,950 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 19 to the financial statements.

(b) The merger reserve arose from the difference between the fair value of the consideration paid for the purchase of subsidiaries under common control and the nominal value of shares of the subsidiaries upon consolidation using merger accounting principles.

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

21. BORROWINGS

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Long-term borrowings:-				
- hire purchase obligations (Note 22)	5,117,837	4,864,614	-	51,494
- term loans, secured	288,595,826	345,721,989	-	-
- term loans, unsecured	2,534,187	3,507,222	2,534,187	3,507,222
	296,247,850	354,093,825	2,534,187	3,558,716
Short-term borrowings:-				
- bank overdrafts, secured	11,040,267	12,408,009	-	-
- bank overdrafts, unsecured	2,608,333	670,551	1,629,132	1,334,655
- bankers' acceptance, unsecured	21,474,139	28,696,572	-	-
- hire purchase obligations (Note 22)	5,919,451	4,379,898	51,494	119,066
- revolving credit, secured	86,691,000	70,991,000	-	-
- revolving credit, unsecured	84,000,000	56,200,000	58,000,000	31,200,000
- term loans, secured	72,873,938	53,833,968	-	-
- term loans, unsecured	978,504	911,553	978,504	911,553
- unsecured loans	3,020,000	3,020,000	-	-
	288,605,632	231,111,551	60,659,130	33,565,274
Total borrowings	584,853,482	585,205,376	63,193,317	37,123,990

The term loans are repayable as follows:-

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Current				
- not later than 1 year	73,852,442	54,745,521	978,504	911,553
Non-current				
- later than 1 year and not later than 2 years	50,580,278	70,490,960	1,050,806	978,908
- later than 2 years and not later than 5 years	159,184,300	174,982,364	1,483,381	2,528,314
- later than 5 years	81,365,435	103,755,887	-	-
	291,130,013	349,229,211	2,534,187	3,507,222
	364,982,455	403,974,732	3,512,691	4,418,775

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

21. BORROWINGS (CONT'D)

The unsecured bank overdrafts, bankers' acceptance and revolving credit of the Group are supported by the corporate guarantee provided by the Company.

The secured bank overdrafts, revolving credit and term loans of the Group are supported by:-

(a) fixed charges over certain subsidiaries' landed properties;

(b) debenture over certain subsidiaries' fixed and floating assets, both present and in the future;

(c) a fixed charge over the development of palm oil mill of a subsidiary;

(d) fixed deposits of the Company;

(e) corporate guarantee provided by the Company; and

(f) joint and several guarantees provided by certain directors of the Company.

The repayment terms of the term loans are as follows:-

Term loan 1 at COF + 0.50% per annum	Repayable in 144 monthly instalments, effective from January 2012, as follows:- 2012 to 2013 – 12 monthly instalments of RM324,583 each 2013 to 2016 – 37 monthly instalments of RM1,300,287 each 2016 to 2018 – 24 monthly instalments of RM212,803 each 2018 to 2024 – 70 monthly instalments of RM872,781 each with a final instalment of RM872,752
Term loan 2 at COF + 1.25% per annum	Repayable in 20 quarterly instalments, effective from March 2014, as follows:- 2014 to 2015 – 4 quarterly instalments of RM2.25 million each 2015 to 2016 – 4 quarterly instalments of RM3.375 million each 2016 to 2017 – 4 quarterly instalments of RM4.50 million each 2017 to 2018 – 4 quarterly instalments of RM5.625 million each 2018 to 2019 – 4 quarterly instalments of RM6.75 million each
Term loan 3 at COF + 0.50% per annum	Repayable in 48 quarterly instalments, effective from May 2014, as follows:- 2014 to 2017 – 12 quarterly instalments of RM884,000 each 2017 onwards – 35 quarterly instalments of RM2,834,671 each with a final instalment of RM2,834,655

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

21. BORROWINGS (CONT'D)

The repayment terms of the term loans are as follows (cont'd):-

Term loan 4 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from June 2014, as follows:- 2014 to 2015 – 4 quarterly instalments of RM0.50 million each 2015 to 2016 – 4 quarterly instalments of RM1.00 million each 2016 to 2017 – 4 quarterly instalments of RM1.50 million each 2017 to 2018 – 4 quarterly instalments of RM2.00 million each 2018 to 2019 – 4 quarterly instalments of RM2.00 million each 2019 to 2020 – 4 quarterly instalments of RM2.50 million each
Term loan 5 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from June 2015, as follows:- 2015 to 2016 – 4 quarterly instalments of RM0.20 million each 2016 to 2017 – 4 quarterly instalments of RM0.40 million each 2017 to 2018 – 4 quarterly instalments of RM0.60 million each 2018 to 2019 – 4 quarterly instalments of RM0.65 million each 2019 to 2020 – 4 quarterly instalments of RM0.70 million each 2020 to 2021 – 4 quarterly instalments of RM0.95 million each
Term loan 6 at COF + 1.00% per annum	Repayable in 35 monthly instalments of RM555,000 each with a final instalment of RM575,000, effective from January 2016
Term loan 7 at BFR + 0.50% per annum	Repayable in 60 monthly instalments of RM99,834 each, effective from May 2016
Term loan 8 at COF + 1.25% per annum	Repayable in 23 quarterly instalments of RM833,000 each with a final instalment of RM841,000, effective from June 2016
Term loan 9 at COF + 1.25% per annum	Repayable in 60 monthly instalments, effective from July 2016, as follows:- 2016 to 2017 – 12 monthly instalments of RM0.15 million each 2017 to 2018 – 12 monthly instalments of RM0.40 million each 2018 to 2019 – 12 monthly instalments of RM0.70 million each 2019 to 2020 – 12 monthly instalments of RM1.10 million each 2020 to 2021 – 12 monthly instalments of RM1.65 million each
Term loan 10 at COF + 1.00% per annum	Repayable in 60 monthly instalments, effective from August 2016, as follows:- 2016 to 2017 – 12 monthly instalments of RM0.10 million each 2017 to 2018 – 12 monthly instalments of RM0.15 million each 2018 to 2019 – 12 monthly instalments of RM0.40 million each 2019 to 2020 – 12 monthly instalments of RM0.55 million each 2020 to 2021 – 12 monthly instalments of RM0.675 million each

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

21. BORROWINGS (CONT'D)

The repayment terms of the term loans are as follows (cont'd):-

Term loan 11 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from October 2016, as follows:- 2016 to 2017 – 4 quarterly instalments of RM0.061 million each 2017 to 2018 – 4 quarterly instalments of RM0.123 million each 2018 to 2019 – 4 quarterly instalments of RM0.184 million each 2019 to 2020 – 4 quarterly instalments of RM0.200 million each 2020 to 2021 – 4 quarterly instalments of RM0.215 million each 2021 to 2022 – 4 quarterly instalments of RM0.292 million each
Term loan 12 at COF + 1.25% per annum	Repayable in 90 monthly instalments, effective from February 2017, as follows:- 2017 – 6 monthly instalments of RM150,000 each 2017 to 2018 – 12 monthly instalments of RM250,000 each 2018 to 2019 – 12 monthly instalments of RM350,000 each 2019 to 2020 – 12 monthly instalments of RM460,000 each 2020 to 2021 – 12 monthly instalments of RM570,000 each 2021to 2022 – 12 monthly instalments of RM680,000 each 2022 to 2023 – 12 monthly instalments of RM780,000 each 2023 to 2024 – 11 monthly instalments of RM870,000 each with a final instalment of RM850,000
Term loan 13 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from December 2017, as follows:- 2017 to 2018 – 4 quarterly instalments of RM0.20 million each 2018 to 2019 – 4 quarterly instalments of RM0.40 million each 2019 to 2020 – 4 quarterly instalments of RM0.60 million each 2020 to 2021 – 4 quarterly instalments of RM0.65 million each 2021 to 2022 – 4 quarterly instalments of RM0.70 million each 2022 to 2023 – 4 quarterly instalments of RM0.95 million each
Term loan 14 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from December 2018, as follows:- 2018 to 2019 – 4 quarterly instalments of RM0.096 million each 2019 to 2020 – 4 quarterly instalments of RM0.192 million each 2020 to 2021 – 4 quarterly instalments of RM0.288 million each 2021 to 2022 – 4 quarterly instalments of RM0.312 million each 2022 to 2023 – 4 quarterly instalments of RM0.336 million each 2023 to 2024 – 3 quarterly instalments of RM0.456 million each with a final instalment of RM0.392 million each

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

21. BORROWINGS (CONT'D)

The repayment terms of the term loans are as follows (cont'd):-

Term loan 15 at COF + 1.00% per annum	Repayable in 32 quarterly instalments, effective from January 2019, as follows:- 2019 to 2021 – 12 quarterly instalments of RM468,000 each 2022 – 4 quarterly instalments of RM972,000 each 2023 – 4 quarterly instalments of RM1,458,000 each 2024 – 4 quarterly instalments of RM1,458,000 each 2025 – 4 quarterly instalments of RM1,944,000 each 2026 – 4 quarterly instalments of RM2,430,000 each

The unsecured loans are granted by a company in which certain directors of the Company have substantial financial interests. The loans bear interest at rate of 4.75% (2016: 4.75% to 5.00%) per annum and are repayable on demand.

22. HIRE PURCHASE OBLIGATIONS

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Minimum hire purchase payments:-				
- not later than 1 year	6,356,386	4,770,167	52,160	125,196
- later than 1 year and not later than 2 years	4,077,294	3,681,123	-	52,160
- later than 2 years and not later than 5 years	1,223,611	1,373,568	-	-
	11,657,291	9,824,858	52,160	177,356
Less: future finance charges	(620,003)	(580,346)	(666)	(6,796)
Present value of hire purchase obligations	11,037,288	9,244,512	51,494	170,560
Current				
- not later than 1 year	5,919,451	4,379,898	51,494	119,066
<u>Non-current</u>				
- later than 1 year and not later than 2 years	3,953,414	3,514,870	-	51,494
- later than 2 years and not later than 5 years	1,164,423	1,349,744	-	-
	5,117,837	4,864,614	-	51,494
	11,037,288	9,244,512	51,494	170,560

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

22. HIRE PURCHASE OBLIGATIONS (CONT'D)

(a) The hire purchase obligations of the Group and of the Company are secured by the motor vehicles, plant and machinery under hire purchase as disclosed in Note 8(b) to the financial statements.

(b) The hire purchase obligations of the Group and of the Company at the end of the reporting period bore effective interest at rates ranging from 4.76% to 5.50% (2016: 5.24% to 5.50%) and 5.40% (2016: 5.40%) respectively. The interest rates are fixed at the inception of the hire purchase arrangements.

23. DEFERRED TAX LIABILITIES

The Group	At 1.1.2017 RM	Recognised in Profit or Loss (Note 29) RM	At 31.12.2017 RM
2017			
Deferred Tax Liabilities			
Property, plant and equipment, intangible and biological assets	266,349,957	(14,521,455)	251,828,502
Deferred Tax Assets			
Unused tax losses	(47,760,324)	(5,621,568)	(53,381,892)
Unabsorbed agriculture/capital allowance	(91,674,991)	(4,342,138)	(96,017,129)
	(139,435,315)	(9,963,706)	(149,399,021)
	126,914,642	(24,485,161)	102,429,481

The Group	At 1.1.2016 RM	Recognised in Profit or Loss (Note 29) RM	At 31.12.2016 RM
2016			
Deferred Tax Liabilities			
Property, plant and equipment, intangible and biological assets	275,263,926	(8,913,969)	266,349,957
Deferred Tax Assets			
Unused tax losses	(48,475,621)	715,297	(47,760,324)
Unabsorbed agriculture/capital allowance	(91,908,455)	233,464	(91,674,991)
	(140,384,076)	948,761	(139,435,315)
	134,879,850	(7,965,208)	126,914,642

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

23. DEFERRED TAX LIABILITIES (CONT'D)

The Company	At 1.1.2017 RM	Recognised in Profit or Loss (Note 29) RM	At 31.12.2017 RM
2017			
Deferred Tax Liabilities			
Property, plant and equipment, and intangible assets	719,275	(268,663)	450,612

The Company	At 1.1.2016 RM	Recognised in Profit or Loss (Note 29) RM	At 31.12.2016 RM
2016			
Deferred Tax Liabilities			
Property, plant and equipment, and intangible assets	777,367	(58,092)	719,275

No deferred tax assets are recognised in respect of the following items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences, the carryforward tax losses and tax credits can be utilised:-

	The Group	
	2017 RM	2016 RM
Deductible temporary differences	1,481,485	716,696
Unused tax losses	7,412,315	4,662,159
Unabsorbed agriculture/capital allowance	1,009,081	637,552
	9,902,881	6,016,407

The unused tax losses and unabsorbed agriculture/capital allowance do not expire under the current tax legislation. However, the availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act 1967 and guidelines issued by the tax authority.

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

24. TRADE PAYABLES

	The Group	
	2017 RM	2016 RM
Trade payables:-		
- third parties	53,155,309	41,327,242
- related parties	17,216,806	19,409,701
	70,372,115	60,736,943

The normal trade credit terms granted to the Group range from 15 to 90 (2016: 15 to 90) days.

25. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables:-				
- third parties	4,352,999	6,212,611	17,595	11,971
- related parties	9,295,952	9,964,614	1,782,181	5,614,862
- goods and services tax payable	415,108	995,830	-	-
	14,064,059	17,173,055	1,799,776	5,626,833
Deposits	45,035,487	25,800	-	-
Accruals	16,183,079	16,609,106	3,836,333	3,985,586
	75,282,625	33,807,961	5,636,109	9,612,419

(a) The amount owing to related parties represents unsecured interest-free advances granted to the Group by companies in which certain directors of the Company have controlling interests. The amount is repayable on demand. The amount owing is to be settled in cash.

(b) The deposits of the Group include the followings:-

	The Group	
	2017 RM	2016 RM
Deposits for:-		
- acquisition of an oil palm plantation estate (Note 40)	15,000,000	-
- use of land for plantation	30,000,000	-
- others	35,487	25,800
	45,035,487	25,800

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

26. REVENUE

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Dividend income	-	-	3,000,000	5,071,334
Chartering income	101,678	-	-	-
Contract income	14,322,998	-	-	-
FFB margin	4,050,000	-	-	-
Insurance commission	200,961	128,605	-	-
Sale of – crude palm oil	177,081,032	128,093,484	-	-
– fresh fruit bunches	89,328,192	92,985,794	-	-
– palm kernel	34,547,983	25,614,298	-	-
– palm kernel shell	901,255	601,304	-	-
– empty bunch ash	31,408	16,960	-	-
– empty fruit bunch	283	1,089	-	-
– sludge oil	773,592	839,982	-	-
– seedlings	11,960	-	-	-
Transportation income	3,040,589	2,291,193	-	-
	324,391,931	250,572,709	3,000,000	5,071,334

27. FINANCE COSTS

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Interest expense on financial liabilities not at fair value through profit or loss:-				
- bank overdrafts	790,338	874,797	138,276	175,144
- bankers' acceptance	1,189,997	956,507	-	-
- hire purchase obligations	601,367	473,321	6,130	12,526
- interest charged by subsidiaries	-	-	-	3,717,735
- revolving credit	6,895,374	6,862,170	1,990,014	2,484,959
- term loans	18,016,229	19,186,797	288,521	220,894
	27,493,305	28,353,592	2,422,941	6,611,258
Less:-				
- amount capitalised under biological assets (Note 10)	(4,869,521)	(13,251,956)	-	-
- amount included within property, plant and equipment (Note 8)	-	(2,516,616)	-	-
	22,623,784	12,585,020	2,422,941	6,611,258

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

28. LOSS BEFORE TAXATION

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Loss before taxation is arrived at after charging/(crediting):-				
Allowance for stock obsolescence	1,196,363	-	-	-
Allowance for stock obsolescence no longer required	(14,428)	(5,945)	-	-
Amortisation of biological assets	40,389,658	39,949,443	-	-
Amortisation of intangible assets	896,323	794,135	584,054	573,772
Audit fee:-				
- current financial year	365,500	334,000	60,000	50,000
- under provision in the previous financial year	12,500	1,000	5,000	-
Bad debts written off	445,211	611	300,046	-
Biological assets written off	507,976	47,905	-	-
Depreciation of property, plant and equipment	37,028,035	36,235,629	1,387,075	1,424,967
Directors' remuneration (Note 34)	1,831,279	1,760,302	766,600	517,000
Finance costs (Note 27)	22,623,784	12,585,020	2,422,941	6,611,258
Gain on disposal of intangible assets	(19,655)	-	(19,655)	-
Gain on disposal of investment in a subsidiary	(48,141)	-	-	-
Gain on disposal of property, plant and equipment	(290,241)	(264,403)	-	(89,388)
Impairment losses on:-				
- biological assets	75,758,180	14,377,483	-	-
- goodwill	22,289,990	4,000,000	-	-
- intangible assets	-	2,718,388	-	-
- investments in subsidiaries	-	-	24,970,000	-
- property, plant and equipment	33,895,079	7,612,678	-	-
- receivables	-	12,329,572	-	12,273,877
Interest income on financial assets not at fair value through profit or loss and not impaired	(23,994)	(14,740)	(8,721,652)	(14,737,831)
Inventories written down	-	400,955	-	-
Inventories written off	-	1,513,103	-	-
Management fee	1,620,000	1,821,978	163,200	-

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

28. LOSS BEFORE TAXATION (CONT'D)

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Loss before taxation is arrived at after charging/(crediting) (cont'd):-				
Property, plant and equipment written off	665,626	179,439	1,417	-
Rental income	(283,650)	(312,110)	-	-
Rental on:-				
- equipment	374,861	287,786	-	-
- premises	1,832,088	1,484,953	1,014,288	842,800
- storage	-	62,563	-	-
- wharf	-	8,169	-	-
Staff costs (including other key management personnel as disclosed in Note 34):-				
- short-term employee benefits	30,300,732	24,826,368	-	-
- defined contribution plan	3,497,354	2,930,058	-	-

29. INCOME TAX EXPENSE

	The Group 2017 RM	The Group 2016 RM	The Company 2017 RM	The Company 2016 RM
Current tax:-				
- current financial year	12,603,965	6,432,336	1,728,343	1,661,804
- real property gain tax	2,671,055	21,000	-	21,000
- under provision in the previous financial year	574,025	151,188	439,808	-
	15,849,045	6,604,524	2,168,151	1,682,804
Deferred tax (Note 23):-				
- origination and reversal of temporary differences	(24,537,315)	(8,282,309)	(288,276)	(337,961)
- under provision in the previous financial year	52,154	317,101	19,613	279,869
	(24,485,161)	(7,965,208)	(268,663)	(58,092)
	(8,636,116)	(1,360,684)	1,899,488	1,624,712

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Loss before taxation	(164,402,330)	(77,089,207)	(21,368,464)	(3,326,384)
Tax at the statutory tax rate of 24%	(39,456,559)	(18,501,410)	(5,128,431)	(798,332)
Tax effects of:-				
Non-taxable income	(553,140)	(1,232,101)	(553,140)	(1,150,205)
Non-deductible expenses	24,033,692	12,598,908	7,121,638	3,272,380
Control transfers	(61,309)	(74,154)	-	-
Deferred tax assets not recognised during the financial year	3,912,883	5,781,956	-	-
Real property gain tax	2,671,055	21,000	-	21,000
Utilisation of deferred tax assets previously not recognised	(26,409)	(325,653)	-	-
Under provision in the previous financial year:-				
- income tax	574,025	151,188	439,808	-
- deferred tax	52,154	317,101	19,613	279,869
Others	217,492	(97,519)	-	-
Income tax expense for the financial year	(8,636,116)	(1,360,684)	1,899,488	1,624,712

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate from 24% to a range of 20% to 24% based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for years of assessment 2017 and 2018.

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

30. LOSS PER SHARE

	The Group 2017 RM	The Group 2016 RM
Loss attributable to owners of the Company (RM)	(130,196,827)	(66,665,246)
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 January	1,418,487,551	1,418,487,551
Effect of conversion of ICPSs	623,234,792	623,234,792
Weighted average number of ordinary shares at 31 December	2,041,722,343	2,041,722,343
Basic loss per share (sen)	(6.38)	(3.27)

The Company has not issued any dilutive potential ordinary shares and hence, the diluted loss per share is equal to the basic loss per share.

31. ACQUISITIONS OF SUBSIDIARIES

On 3 January 2017 and 17 January 2017, the Company acquired 100% equity interests in Topline Synergy Sdn. Bhd. and RSB Lundu Palm Oil Mill Sdn. Bhd., respectively.

In the previous financial year, the Company acquired 100% equity interest in Rakantama Sdn. Bhd.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 2017 RM	The Group 2016 RM
Other payables	-	(13,218)
Net identifiable liabilities assumed	-	(13,218)
Add: Goodwill on acquisition (Note12)	-	13,418
Total purchase consideration, to be settled by cash	4	200
Less: Cash and bank balances of subsidiaries acquired	(4)	-
Net cash outflows for the acquisitions of subsidiaries	-	200

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

31. ACQUISITIONS OF SUBSIDIARIES (CONT'D)

The acquired subsidiaries had contributed the following results to the Group:-

	The Group 2017 RM	The Group 2016 RM
Revenue	14,322,998	128,605
Profit after taxation	3,346,868	133,983

32. DISPOSAL OF A SUBSIDIARY

During the current financial year, Midas Plantation Sdn. Bhd. , a wholly-owned subsidiary of the Group, completed its members' voluntary winding up procedures. As a result, Midas Plantation Sdn. Bhd. ceased to be a subsidiary of the Group.

The financial effects of the disposal at the date of disposal are summarised below:-

	The Group 2017 RM
Cash and bank balances	2
Other payables and accruals	(3,100)
Current tax liabilities	(45,041)
Carrying amount of net assets disposed of	(48,139)
Add: Gain on disposal of a subsidiary (Note 28)	48,141
Consideration received, satisfied in cash	2
Less: Cash and bank balances of a subsidiary disposed of	(2)
Net cash inflows from the disposal of a subsidiary	-

There were no disposals of subsidiaries in the previous financial year.

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

33. CASH FLOWS INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cost of property, plant and equipment purchased (Note 8)	31,807,405	34,904,930	5,000	91,598
Less:-				
- amount financed through hire purchase	(7,526,000)	(8,205,990)	-	-
- interest expense included within property, plant and equipment (Note 8)	-	(2,516,616)	-	-
Cash disbursed for the purchase of property,plant and equipment	24,281,405	24,182,324	5,000	91,598

(b) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	1,132,253	1,612,358	39,432	39,682
Deposits with licensed banks	153,771	-	153,771	-
Bank overdrafts	(13,648,600)	(13,078,560)	(1,629,132)	(1,334,655)
	(12,362,576)	(11,466,202)	(1,435,929)	(1,294,973)

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

33. CASH FLOWS INFORMATION (CONT'D)

(c) The reconciliations of liabilities arising from financing activities are as follows:-

	Bankers' acceptance RM	Hire purchase obligations RM	Revolving credit RM	Term loan RM	Total RM
The Group					
Balance at 1.1.2017	28,696,572	9,244,512	127,191,000	403,974,732	569,106,816
Changes in financing cash flows:-					
- net of (repayment)/ drawdown	(7,222,433)	-	43,500,000	-	36,277,567
- proceeds from drawdown	-	-	-	10,336,807	10,336,807
- repayment of borrowing principal	-	(5,733,224)	-	(49,329,084)	(55,062,308)
- repayment of borrowing interests	-	(601,367)	-	(18,016,229)	(18,617,596)
	(7,222,433)	(6,334,591)	43,500,000	(57,008,506)	(27,065,530)
Other non-cash changes:-					
- interest expense	-	520,912	-	14,190,248	14,711,160
- interest expense capitalised under biological assets	-	80,455	-	3,825,981	3,906,436
- new hire purchase arrangements (Note 33(a) above)	-	7,526,000	-	-	7,526,000
	-	8,127,367	-	18,016,229	26,143,596
Balance at 31.12.2017	21,474,139	11,037,288	170,691,000	364,982,455	568,184,882

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

33. CASH FLOWS INFORMATION (CONT'D)

(c) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

	Hire purchase obligations RM	Revolving credit RM	Term loan RM	Total RM
The Company				
Balance at 1.1.2017	170,560	31,200,000	4,418,775	35,789,335
Changes in financing cash flows:-				
- net of drawdown/(repayment)	-	26,800,000	-	26,800,000
- repayment of borrowing principal	(119,066)	-	(906,084)	(1,025,150)
- repayment of borrowing interests	(6,130)	-	(288,521)	(294,651)
	(125,196)	26,800,000	(1,194,605)	25,480,199
Other non-cash changes:-				
- interest expense	6,130	-	288,521	294,651
	6,130	-	288,521	294,651
Balance at 31.12.2017	51,494	58,000,000	3,512,691	61,564,185

Comparative information is not presented by virtue of the exemption given in FRS 7.

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

34. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

(a) The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors				
Directors of the Company				
Short-term employee benefits:-				
- fees	513,050	485,500	365,000	356,000
- salaries, bonuses and other benefits	1,114,429	1,065,742	401,600	161,000
	1,627,479	1,551,242	766,600	517,000
Defined contribution plan	55,200	53,160	-	-
	1,682,679	1,604,402	766,600	517,000
Directors of the Subsidiaries				
Short-term employee benefits:-				
- fees	148,600	155,900	-	-
Total directors' remuneration (Note 28)	1,831,279	1,760,302	766,600	517,000
Other Key Management Personnel				
Short-term employee benefits	5,679,656	5,593,212	-	-
Defined contribution plan	645,189	630,405	-	-
Total compensation for other key management personnel	6,324,845	6,223,617	-	-

(b) The estimated monetary value of benefits-in-kind provided by the Company to the directors of the Company was RM33,650 (2016: RM43,488).

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

35. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, associate, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

(i) Transactions between the Company and its subsidiaries:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Expenditure incurred:-				
- interest paid	-	-	-	3,717,735
- management fee	-	-	163,200	-
- recharge expense – general	-	-	1,200	-
- rental paid	-	-	652,164	-
Income earned:-				
- dividend income	-	-	3,000,000	5,071,334
- interest income	-	-	8,702,672	14,723,267
- recharge income – general	-	-	30,784	244,815

(ii) Transactions between the Group and companies in which the directors and their close family members have substantial financial interests:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Expenditure incurred:-				
- consultancy fee	242,688	3,496	-	-
- contract charges	1,969,213	1,696,332	-	-
- fertiliser testing charges	7,437	11,459	-	-
- food, beverages and sundry goods	49,257	27,562	-	-
- insurance paid	-	89,805	-	-

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

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances (Cont'd)

(ii) Transactions between the Group and companies in which the directors and their close family members have substantial financial interests (cont'd):-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Expenditure incurred:-				
- interest paid	143,450	148,483	-	-
- management fee	1,620,000	1,821,978	-	-
- miscellaneous goods and services	14,655	2,817	6,000	75
- purchase of diesel, petrol, oil and lubricant	226,092	56,812	-	-
- purchase of fertilisers and chemicals	1,282,958	1,530,233	-	-
- purchase of fresh fruit bunches	4,808,780	4,603,027	-	-
- purchase of property, plant and equipment	341,835	1,976,555	-	-
- purchase of spare parts, tools and consumables	2,680,104	2,077,940	-	-
- purchase of sundry stores and consumables	3,481,764	-	-	-
- rental paid	1,882,638	1,520,400	1,014,288	842,800
- recharge expense:-				
- general	11,162	24,061	-	-
- store items	26,017	31,394	-	-
- repairs and maintenance	656,041	329,980	10,852	14,452
- road access charges	-	600	-	-
- secretarial services	3,750	3,600	-	-
- seminar and training	-	24,000	-	24,000
- store issues expense	9,374	12,569	-	-
- transportation and accommodation charges	493,574	1,244,841	37,733	-
- water and electricity charges	122,538	150,700	53,550	75,205

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances (Cont'd)

(ii) Transactions between the Group and companies in which the directors and their close family members have substantial financial interests (cont'd):-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Income earned:-				
- chartering income	48,345	-	-	-
- contract income	12,009,135	-	-	-
- Fresh fruit bunches margin income	4,050,000	-	-	-
- Fresh fruit bunches transport subsidy	84,633	363,730	-	-
- food, beverages and sundry goods	1,593	-	-	-
- handling fee received	223,120	-	-	-
- recharge income:-				
- general	184,186	49,073	32	15,667
- store items	167,201	114,416	-	-
- rental received	189,800	168,000	-	-
- sale of fresh fruit bunches	81,732,670	80,587,094	-	-
- sale of intangible assets	24,800	1,000,461	24,800	-
- sale of property, plant equipment	1,098,511	-	-	146,544
- sale of crude palm oil	19,227,238	-	-	-
- sale of empty bunch ash	31,408	17,352	-	-
- sale of seedlings	145,220	63,420	-	-
- sale of diesel	201,014	156,293	-	-
- transportation income	30,859	-	-	-
- water and electricity	22,064	20,131	-	-

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

36. OPERATING SEGMENTS

(a) Business Segment and Geographical Information

The Group operates predominantly in one business segment in Malaysia. Accordingly, the information by business and geographical segments is not presented.

(b) Major Customers

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue	
	2017 RM	2016 RM
Customer #1	92,614,417	79,293,629
Customer #2	51,295,260	48,439,719
Customer #3	51,280,525	-
Customer #4	49,910,202	37,923,031
Customer #5	43,863,219	43,086,225

37. CAPITAL COMMITMENTS

	The Group	
	2017 RM	2016 RM
Property, plant and equipment	4,638,225	24,358,342

38. CONTINGENT LIABILITIES

No provisions are recognised on the following matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:-

	The Company	
	2017 RM	2016 RM
Unsecured:-		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	499,641,233	529,771,000

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

39. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

39.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio of mix of fixed and floating rate borrowings.

The Group's deposits with licensed banks and hire purchase obligations are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in FRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Effects on Profit after Taxation				
Increase of 50 basis points	- 1,541,000	- 1,218,000	- 20,000	- 22,000
Decrease of 50 basis points	+ 1,541,000	+ 1,218,000	+20,000	+22,000
Effects on Equity				
Increase of 50 basis points	- 1,541,000	- 1,218,000	- 20,000	- 22,000
Decrease of 50 basis Points	+ 1,541,000	+ 1,218,000	+20,000	+22,000

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

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (cont'd)

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from its trade and other receivables. The Group manages its exposure to credit risk by the application of monitoring procedures on an ongoing basis. For other financial assets (including deposits with licensed banks and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group's major concentration of credit risk relates to the amounts owing by five (5) customers which constituted approximately 95% of its trade receivables (including related parties) at the end of the reporting period, due to the Group's limited number of customers. Based on the Group's historical collection of these receivables, management believes that they are fully recoverable.

(ii) Exposure to credit risk

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

(iii) Ageing analysis

The ageing analysis of trade receivables (including amount owing by related parties) is as follows:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2017				
Not past due	13,081,071	-	-	13,081,071
2016				
Not past due	20,304,990	-	-	20,304,990

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

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group 2017	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM	More Than 5 Years RM
Trade and other payables	-	145,239,632	145,239,632	145,239,632	-	-	-
Borrowings:-							
- bank overdrafts	7.68	13,648,600	13,648,600	13,648,600	-	-	-
- bankers' acceptance	4.44	21,474,139	21,474,139	21,474,139	-	-	-
- hire purchase obligations	5.41	11,037,288	11,657,291	6,356,386	4,077,294	1,223,611	-
- revolving credit	4.86	170,691,000	170,691,000	170,691,000	-	-	-
- term loans	5.03	364,982,455	433,942,000	92,523,000	76,700,000	175,382,000	89,076,000
- unsecured loans	4.75	3,020,000	3,163,000	3,163,000	-	-	-
		730,093,114	799,815,662	453,095,757	80,777,294	176,605,611	89,076,000

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

The Group 2016	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM	More Than 5 Years RM
Trade and other payables	-	93,549,074	93,549,074	93,549,074	-	-	-
Borrowings:-							
- bank overdrafts	7.97	13,078,560	13,078,560	13,078,560	-	-	-
- bankers' acceptance	4.32	28,696,572	28,696,572	28,696,572	-	-	-
- hire purchase obligations	5.41	9,244,512	9,824,858	4,770,167	3,681,123	1,373,568	-
- revolving credit	4.90	127,191,000	127,191,000	127,191,000	-	-	-
- term loans	5.11	403,974,732	475,811,000	75,355,000	93,897,000	206,587,000	99,972,000
- unsecured loans	4.75	3,020,000	3,163,000	3,163,000	-	-	-
		678,754,450	751,314,064	345,803,373	97,578,123	207,960,568	99,972,000

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

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

The Company	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM
2017						
Trade and other payables	-	5,636,109	5,636,109	5,636,109	-	-
Borrowings:-						
- bank overdrafts	7.24	1,629,132	1,629,132	1,629,132	-	-
- hire purchase obligations	5.40	51,494	52,160	52,160	-	-
- revolving credit	4.86	58,000,000	58,000,000	58,000,000	-	-
- term loan	7.15	3,512,691	3,974,000	1,198,000	1,198,000	1,578,000
		68,829,426	69,291,401	66,515,401	1,198,000	1,578,000
2016						
Trade and other payables	-	9,612,419	9,612,419	9,612,419	-	-
Amount owing to subsidiaries	4.83	264,903,313	264,903,313	264,903,313	-	-
Borrowings:-						
- bank overdrafts	7.13	1,334,655	1,334,655	1,334,655	-	-
- hire purchase obligations	5.40	170,560	177,356	125,196	52,160	-
- revolving credit	5.01	31,200,000	31,200,000	31,200,000	-	-
- term loan	7.15	4,418,775	5,191,000	1,198,000	1,198,000	2,795,000
		311,639,722	312,418,743	308,373,583	1,250,160	2,795,000

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

39. FINANCIAL INSTRUMENTS (CONT'D)

39.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interests. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2017 RM	2016 RM
Borrowings (Note 21):-		
- bank overdrafts	13,648,600	13,078,560
- other borrowings	571,204,882	572,126,816
	584,853,482	585,205,376
Less: Deposits with licensed banks (Note 13)	(256,152)	(102,381)
Less: Cash and bank balances	(1,132,253)	(1,612,358)
Net debts	583,465,077	583,490,637
Total equity	632,081,467	789,847,681
Debt-to-equity ratio	0.92	0.74

There was no change in the Group's approach to capital management during the financial year.

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

39. FINANCIAL INSTRUMENTS (CONT'D)

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial Assets				
Loans and receivables financial assets				
Trade receivables	13,081,071	20,304,990	-	-
Other receivables and deposits	48,494,001	11,537,360	2,345,441	467,863
Amount owing by subsidiaries	-	-	104,936,868	502,713,929
Deposits with licensed banks	256,152	102,381	153,771	-
Cash and bank balances	1,132,253	1,612,358	39,432	39,682
	62,963,477	33,557,089	107,475,512	503,221,474
Available-for-sale financial assets				
Other investment	5,000,000	5,000,000	5,000,000	5,000,000
Financial Liabilities				
Other financial liabilities				
Trade payables	70,372,115	60,736,943	-	-
Other payables, deposits and accruals	74,867,517	32,812,131	5,636,109	9,612,419
Amount owing to subsidiaries	-	-	-	264,903,313
Borrowings:-				
- bank overdrafts	13,648,600	13,078,560	1,629,132	1,334,655
- other borrowings	571,204,882	572,126,816	61,564,185	35,789,335
	730,093,114	678,754,450	68,829,426	311,639,722

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

39. FINANCIAL INSTRUMENTS (CONT'D)

39.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments not Carried at Fair Value				
The Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Fair Value RM**	**Total Carrying Amount RM**
2017					
Financial Liabilities					
Hire purchase obligations	-	10,093,000	-	10,093,000	11,037,288
2016					
Financial Liabilities					
Hire purchase obligations	-	8,969,000	-	8,969,000	9,244,512
The Company					
2017					
Financial Liabilities					
Hire purchase obligations	-	51,000	-	51,000	51,494
2016					
Financial Liabilities					
Hire purchase obligations	-	170,000	-	170,000	170,560

The fair values, which are for disclosure purposes, have been determined using the following basis:-

(a) The fair values of hire purchase obligations are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group		The Company	
	2017 %	**2016 %**	**2017 %**	**2016 %**
Hire purchase obligations	5.40 – 5.50	5.40 – 5.58	5.40	5.40

(b) The fair values of the term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

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

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND OCCURRING AFTER THE REPORTING PERIOD

(a) On 3 January 2017, the Company acquired the entire issued and paid-up share capital of Topline Synergy Sdn Bhd ("TSSB") comprising 2 ordinary shares of RM1 each for a cash consideration of RM2. Subsequent to the acquisition, TSSB became a 100%-owned subsidiary of the Company. The principal business activity of TSSB is that of providing management consultancy services.

(b) On 17 January 2017, the Company acquired the entire issued and paid-up share capital of RSB Lundu Palm Oil Mill Sdn Bhd ("RSBLPOM") comprising 2 ordinary shares of RM1 each for a cash consideration of RM2. Subsequent to the acquisition, RSBLPOM became a 100%-owned subsidiary of the Company. The principal business activity of RSBLPOM is operation of palm oil mill and growing of oil palm tree.

(c) On 22 February 2017,

(i) the Company entered into a conditional agreement with Tiasa Mesra Sdn. Bhd. ("TMSB") to dispose of all the rights, titles and interests in relation to a plantation estate via an absolute agreement, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto for a purchase consideration of RM150.0 million to be satisfied in cash.

(ii) RSBLPOM, a subsidiary of the Company, entered into a conditional sale and purchase agreement with R H Lundu Palm Oil Mill Sdn. Bhd. ("RHLPOM") to acquire a parcel of land together with a palm oil mill (including workers' quarters) erected thereon and plant and machinery used for the operation of the mill for a purchase consideration of RM33.7 million to be satisfied in cash.

(iii) the Company entered into a conditional share sale agreement with Pertumbuhan Abadi Asia Sdn. Bhd., Teck Sing Lik Enterprise Sdn. Bhd. and Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King to acquire 100,000 ordinary shares of RM1 each in Sastat Holdings Sdn. Bhd. ("SHSB") for a purchase consideration of RM17.0 million to be satisfied in cash. This represents 100% of the total issued and paid-up share capital of SHSB and upon completion of the acquisition, SHSB shall become a 100%-owned subsidiary of the Company.

(d) On 19 August 2017, the Company and TMSB extended the period to fulfil the conditions precedent set out in the conditional agreement for a further period of 6 months until 21 February 2018. Consequently, the Company and SHSB vendors, RSBLPOM and RHLPOM, also extended the period until 21 February 2018 to fulfil the conditions precedent set out in the conditional share sale agreement and conditional sale and purchase agreement, respectively. The period to fulfil the conditions precedent aforementioned was further extended for another 12-month period until 21 February 2019 on 21 February 2018.

ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"):

1. Utilisation of proceeds raised from any corporate proposal

During the financial year ended 31 December 2017, there were no proceeds raised from any corporate proposal.

2. Material contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

3. Recurrent related party transactions of a revenue or trading nature ("RRPT")

A breakdown of the aggregate value of the RRPT conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1)(a) of the Listing Requirements, are

Name of Related Party(ies)	Type of RRPT	Relationship with RSB Group	Actual Value as at 31 December 2017 (RM)
R H Selangau Palm Oil Mill Sdn. Bhd.	Sales of Fresh Fruit Bunches	Note (A)	43,863,219
R H Lundu Palm Oil Mill Sdn. Bhd.	Sales of Fresh Fruit Bunches	Note (A)	37,726,435
Pelita Melor Sdn. Bhd.	Purchase of Fresh Fruit Bunches	Note (B)	4,071,298
Rimbunan Hijau General Trading Sdn. Bhd.	Purchase of spare parts and POL	Note (C)	3,533,736
Helitech Aviation Services Sdn. Bhd.	Management fee paid	Note (D)	1,620,000

Notes:

(A) Connected with Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King ("Tan Sri Tiong"), Tiong Toh Siong Holdings Sdn. Bhd. ("TTSH"), Teck Sing Lik Enterprise Sdn. Bhd. ("TSL"), Tiong Toh Siong Enterprises Sdn. Bhd. ("TTSE"), Datuk Tiong Thai King, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(B) Connected with Tan Sri Tiong, TTSH, TSL, Datuk Tiong Thai King, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(C) Connected with Tan Sri Tiong, TTSH, Rimbunan Hijau Southeast Asia Sdn. Bhd. ("RHSA"), Pertumbuhan Abadi Asia Sdn. Bhd. ("PAA"), Datuk Tiong Thai King, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(D) Connected with Dato' Mohamad Arif Stephen bin Abdullah

LIST OF PROPERTIES OWNED BY THE GROUP

Location	Tenure	Year Lease Expiring	Approximate Area (Hectares)	Description/ Existing use	Year of Acquisition	Net Carrying Amount* (RM'000)
East of Simunjan Town in Samarahan Division	Licence LPF /0035	2064	15,017.00 Ha	Oil Palm Estate	2010	146,380
NCR Land Located Ulu Teru Land, Miri Division, Sarawak^	JVA Commecing on 2003	-	7,900.00 Ha	Oil Palm Estate	-	108,177
Lot 11, Buloh Land District Lot 12, Buloh Land District	Provisional Leasehold	2059 2060	4,625.00 Ha	Oil Palm Estate	1999 2000	103,499
Lot 4 & 6 , Block 9, Dulit Land District, Miri Division, Sarawak	Provisional Leasehold	2059	4,959.80 Ha	Oil Palm Estate	1999	73,845
Lot 2, Block 11, Teraja Land District	Provisional Leasehold	2061	4,698.20 Ha	Oil Palm Estate	2001	66,181
Lot 56, Sawai Land District	Provisional Leasehold	2054	4,857.00 Ha	Oil Palm Estate	1994	61,004
Lot 13, Buloh Land District	Provisional Leasehold	2060	4,100.00 Ha	Oil Palm Estate	2000	56,117
Lot 1 Blk 7,Sawai Land District Lot 64, Sawai Land District Lot 93 Sawai Land District	Leasehold Provisional Leasehold Provisional Leasehold	2058 2087 2059	7,490.80 Ha	Oil Palm Estate	1998 1988 1999	54,816
Lot 197, Teraja Land District & Lot 1200. Puyut Land District	Provisional Leasehold	2067	5,000 Ha	Oil Palm Estate	2007	45,313
NCR Land Located Long Ekang and Long Banyok, Miri Division@	JVA Commecing on 2005	-	3,367.00 Ha	Oil Palm Estate	-	42,503

* *Net Book Value include Land, Plantation Development Expenditure, Infrastructure and Commercial Rights.*
^ *The Lease Term for JVA land is 60 years subject to finalisation of respective land title.*
@ *The Lease Term for JVA is subject to finalisation of land title.*

ANALYSIS OF SHAREHOLDINGS
AS AT 27 MARCH 2018

Share Capital

Issued share capital	: RM807,129,190 divided into 1,418,487,551 ordinary shares and 164,876,929 irredeemable convertible preference shares ("ICPS")
Class of shares	: (1) Ordinary shares (2) Irredeemable convertible preference shares
Voting rights	: One (1) vote per ordinary share

Distribution Schedule of Ordinary Shares

No. of Holders	Holdings	Total Holdings	%
117	Less than 100 shares	3,813	0.00*
350	100 to 1,000 shares	271,345	0.02
4,652	1,001 to 10,000 shares	28,820,880	2.03
3,851	10,001 to 100,000 shares	130,161,287	9.18
623	100,001 - less than 5% of issued shares	672,636,235	47.42
6	5% and above of issued shares	586,593,991	41.35
9,599		1,418,487,551	100.00

Note:
** less than 0.01%*

Distribution Schedule of ICPS

No. of Holders	Holdings	Total Holdings	%
0	Less than 100 shares	0	0.00
0	100 to 1,000 shares	0	0.00
0	1,001 to 10,000 shares	0	0.00
0	10,001 to 100,000 shares	0	0.00
2	100,001 - less than 5% of issued shares	3,612,720	40.00
3	5% and above of issued shares	161,246,209	60.00
5		164,876,929	100.00

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 27 MARCH 2018

Substantial Shareholders

The substantial shareholders' interests in ordinary shares in the Company as per the Register of Substantial Shareholders as at 27 March 2018 are as follows:

Name	No. of shares held (Direct)	%	No. of shares held (Indirect)	%
1. Tiong Toh Siong Holdings Sdn Bhd	237,246,119	16.73	200,192,375[(a)]	14.11
2. Rimbunan Hijau Southeast Asia Sdn Bhd	100,584,800	7.09	-	-
3. Pertumbuhan Abadi Asia Sdn Bhd	87,228,800	6.15	119,271,200[(b)]	8.41
4. Teck Sing Lik Enterprise Sdn Bhd	95,279,347	6.72	10,402,400[©]	0.73
5. Tiong Toh Siong Enterprises Sdn Bhd	10,402,400	0.73	113,086,638[(d)]	7.97
6. State Financial Secretary	76,034,272	5.36	-	-
7. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	2,400,000	0.17	759,122,079[(e)]	53.52
8. Multi Greenview Sdn Bhd	140,000,000	9.87	-	-
9. Jaya Tiasa Holdings Berhad	-	-	140,000,000[(f)]	9.87

Notes: -

a Deemed interested by virtue of its interest in Pemandangan Jauh Plantation Sdn Bhd, Ladang Hijau (Sarawak) Sdn Bhd, Multi Greenview Sdn Bhd and Subur Tiasa Holdings Berhad pursuant to Section 8 of the Companies Act.

b Deemed interested by virtue of its interest in Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd and Kendaie Oil Palm Plantation Sdn Bhd pursuant to Section 8 of the Companies Act.

c Deemed interested by virtue of its interests in Tiong Toh Siong Enterprises Sdn Bhd pursuant to Section 8 of the Companies Act.

d Deemed interested by virtue of his interests in Rimbunan Hijau Southeast Asia Sdn Bhd, Kendaie Oil Palm Plantation Sdn Bhd and Rejang Height Sdn Bhd pursuant to Section 8 of the Companies Act.

e Deemed interested by virtue of his interest in Tiong Toh Siong Holdings Sdn Bhd, Teck Sing Lik Enterprise Sdn Bhd, Tiong Toh Siong Enterprises Sdn Bhd, Pertumbuhan Abadi Asia Sdn Bhd, Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd, Kendaie Oil Palm Plantation Sdn Bhd, Pemandangan Jauh Plantation Sdn Bhd, Ladang Hijau (Sarawak) Sdn Bhd, Rejang Height Sdn Bhd, Multi Greenview Sdn Bhd and Subur Tiasa Holdings Berhad pursuant to Section 8 of the Companies Act.

f Deemed interested by virtue of its interest in Multi Greenview Sdn pursuant to Section 8 of the Companies Act.

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 27 MARCH 2018

Directors' Interests

The Directors' interests in ordinary shares in the Company as per the Register of Directors' Shareholdings as at 27 March 2018are as follows:

Name	No. of shares held (Direct)	%	No. of shares held (Indirect)	%
1. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	2,400,000	0.17	775,118,279[a]	54.64
2. Tiong Kiong King	23,803,800	1.18	6,218,400[b]	0.44
3. Tiong Chiong Ong	7,031,608	0.50	326,714©	0.02
4. Tiong Chiong Ie	1,600,000	0.11	3,872,000[d]	0.27
5. Bong Wei Leong	-	-	-	-
6. Tiong Ing Ming	200,000	0.01	-	-
Dato' Jin Kee Mou	16,000	0.00**	-	-

*** less than 0.01%*

Notes: -

a. Deemed interested by virtue of his interests in Tiong Toh Siong Holdings Sdn Bhd, Teck Sing Lik Enterprise Sdn Bhd, Tiong Toh Siong Enterprises Sdn Bhd, Pertumbuhan Abadi Asia Sdn Bhd, Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd, Kendaie Oil Palm Plantation Sdn Bhd, Ladang Hijau (Sarawak) Sdn Bhd, Rejang Height Sdn Bhd, Multi Greenview Sdn Bhd, Subur Tiasa Holdings Berhad and Pemandangan Jauh Plantation Sdn Bhd pursuant to Section 8 of the Companies Act, and the interests of his spouse and children in the Company.

b. Deemed interested by virtue of his interest in Biru-Hijau Enterprise Sdn Bhd pursuant to Section 8 of the Companies Act.

c. Deemed interested by virtue of the interest of his spouse and children in the Company

d. Deemed interested by virtue of his interest in Priharta Development Sdn Bhd pursuant to Section 8 of the Companies Act.

The Directors' interests in Irredeemable Convertible Preference Shares in the Company as per the Register of Directors' Shareholdings as at 29 March 2017 are as follows:

Name	No. of shares held (Direct)	%	No. of shares held (Indirect)	%
1. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	-	-	164,876,929*	8.86

* Deemed interested by virtue of his interests in Pemandangan Jauh Plantation Sdn Bhd, Tiong Toh Siong Holdings Sdn Bhd, Teck Sing Lik Enterprise Sdn Bhd, Ladang Hijau Sarawak Sdn Bhd and Rejang Height Sdn Bhd pursuant to Section 8 of the Companies Act.

By virtue of his interests in the Company, Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King is also deemed to have interests in shares in the related corporations of the Company to the extent the Company has an interest, pursuant to Section 8 of the Companies Act.

The other Directors have no interests in shares of the related corporations of the Company.

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 27 MARCH 2018

Thirty Largest Securities Account Holders

Name		No. of Ordinary Shares	%
1	Multi Greenview Sdn Bhd	140,000,000	9.87
2	HLB Nominees (Tempatan) Sdn Bhd Pledged securities account for Tiong Toh Siong Holdings Sdn Bhd (SBU-CR Admin)	104,000,000	7.33
3	Rimbunan Hijau Southeast Asia Sdn Bhd	100,584,800	7.09
4	Pertumbuhan Abadi Asia Sdn Bhd	87,228,800	6.15
5	Tiong Toh Siong Holdings Sdn Bhd	78,746,119	5.55
6	State Financial Secretary Sarawak	76,034,272	5.36
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Teck Sing Lik Enterprise Sdn Bhd (OCESB)	63,500,000	4.48
8	Pertumbuhan Abadi Enterprise Sdn Bhd	58,240,600	4.11
9	Subur Tiasa Holdings Berhad	51,919,000	3.66
10	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad pledged securities account for Tiong Toh Siong Holdings Sdn Bhd	37,500,000	2.64
11	Teck Sing Lik Enterprise Sdn Bhd	31,779,347	2.24
12	Suria Kilat	26,958,600	1.90
13	Maybank Nominees (Tempatan) Sdn Bhd Pledged securities account for Tiong Kiong King	23,803,800	1.68
14	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Nustinas Sdn Bhd (MQ0516)	23,652,100	1.67
15	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged securities account for Insan Anggun Sdn Bhd	20,355,400	1.44
16	Asanas Sdn Bhd	20,000,000	1.41
17	Makmur Tiasa Sdn Bhd	17,654,400	1.24
18	Malaysia Nominees (Tempatan) Sdn Bhd OCBC Labuan for Tiong Toh Siong Holdings Sdn Bhd (00-33029-010)	17,000,000	1.20
19	Rimbunan Hijau (Sarawak) Sdn Bhd	15,686,400	1.11
20	Tiong Toh Siong Enterprises Sdn Bhd	10,402,400	0.73
21	Rejang Height Sdn Bhd	9,501,838	0.67
22	TC Blessed Holdings Sdn Bhd	7,214,400	0.51
23	Maybank Nominees (Tempatan) Sdn Bhd Pledged securities account for Biru-Hijau Enterprise Sdn Bhd	6,218,400	0.44
24	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	5,810,000	0.41
25	Ladang Hijau (Sarawak) Sdn Bhd	5,557,919	0.39
26	Priharta Development Sdn Bhd	3,872,000	0.27
27	HLB Nominees (Tempatan) Sdn Bhd Pledged securities account for Oh Kim Sun	3,730,000	0.26
28	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	3,652,200	0.26
29	Seah Tin Kim	3,420,900	0.24
30	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Tiong Chiong Ong (MQ0517)	3,300,000	0.23

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Rimbunan Sawit Berhad ("RSB" or "the Company") will be held at Level 2, North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak on Friday, 25 May 2018 at 12.00 noon to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. **Refer to Note 1**

2. To approve the increase of Directors' fees to RM365,000 for the financial year ended 31 December 2017. (2016:RM356,000) **Resolution 1**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2017. **Resolution 2**

4. To approve the payment of Directors' remuneration (excluding Directors' fees) up to RM350,000 from 26 May 2018 until the conclusion of next Annual General Meeting ("AGM") of the Company. **Resolution 3**

5. To re-elect the following Directors who retire pursuant to Article 81 of the Company's Articles of Association and being eligible, offer themselves for re-election:

   i. Mr. Tiong Ing Ming **Resolution 4**
   ii. Mr. Tiong Kiong King **Resolution 5**

6. To re-appoint Messrs. Crowe Horwath as auditors until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. **Resolution 6**

As special business

7. To consider and, if thought fit, pass the following ordinary resolution:

   Continuation in office as Independent Non-Executive Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 **Resolution 7**

   "THAT subject to the passing of Ordinary Resolution No. 4, approval be and is hereby given to Mr. Tiong Ing Ming who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company."

8. To consider and, if thought fit, pass the following ordinary resolution:

   Continuation in office as Independent Non-Executive Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 **Resolution 8**

   "THAT approval be and is hereby given to Mr. Bong Wei Leong who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. To consider and, if thought fit, pass the following ordinary resolution:

Proposed renewal of shareholder mandates for recurrent related party transactions of a revenue or trading nature ("Shareholder Mandate") **Resolution 9**

"THAT approval be and is hereby given to the Company and its subsidiaries ("RSB Group") to enter into any of the category of related party transactions which are recurrent, of a revenue or trading nature and are necessary for day-to-day operations of RSB Group as outlined in point 3(b) of the Circular to Shareholders dated 26 April 2018 ("Circular"), with the specific related parties mentioned therein subject further to the following:

(a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders; and

b) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:

- the type of the recurrent related party transactions made; and
- the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

AND THAT such approval will continue to be in force until:

(a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("CA 2016") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the CA 2016]; or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholder Mandate."

10. To transact any other business of which, due notice shall have been given in accordance with the CA 2016 and the Company's Articles of Association.

By Order of the Board of Directors
Toh Ka Soon (MAICSA 7031153)
Voon Jan Moi (MAICSA 7021367)
Joint Company Secretaries

Dated: 26 April 2018
Sibu, Sarawak

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes :

1. This agenda item is meant for discussion only and hence it is not put forward for voting.
2. A proxy may but need not be a member of the Company.
3. A member of the company entitled to attend and vote at the AGM shall be entitled to appoint more than one (1) proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. If the appointor is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing a proxy must be initiated.
7. A depositor whose name appears in the Record of Depositors as at 21 May 2017 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.

Explanatory Note on Special Business:

1. **Ordinary resolutions in relation to continuation in office as Independent Non-Executive Directors pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance (proposed resolutions nos. 7 and 8)**

   The Nomination Committee and the Board of Directors have assessed the independence of Mr. Tiong Ing Ming and Mr. Bong Wei Leong who have served as Independent Non-Executive Directors of the Company for a consecutive term of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

   (a) They fulfilled the criteria as Independent Director as stipulated in the Listing Requirements and therefore are able to offer impartial judgement and advice to the Board;
   (b) They remain independent and vocal, actively participated in deliberations and exercised independent judgement at Board and Board Committee meetings without compromising operational consideration. Hence, provide a check and balance to operational management; and
   (c) They continue to exercise independent and objective judgement in carrying out their duties as Independent Directors and they provide guidance, unbiased and independent views to many aspects of the Company and the Group's strategy so as to safeguard the interests of minority shareholders. Their long tenure as Independent Directors have no conflict of interest or undue influence from management and interested parties.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

2. Ordinary resolution on Shareholder Mandate for recurrent related party transactions

Paragraph 10.09 of the Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.

The proposed resolution No. 9, if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in point 3(b) of the Circular, which are necessary for day-to-day operations of the RSB Group, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of the RSB Group or adversely affecting the business opportunities available to the RSB Group.

Please refer to the Circular for further information.

Rimbunan Sawit

RIMBUNAN SAWIT BERHAD

(Company No. 691393-U)
(Incorporated in Malaysia)

FORM OF PROXY

Number of shares held by Proxy 1	
Number of shares held by Proxy 2	

*I/We ____

(*NRIC/Company No. ______________________) of ____

____ (full address) being a *member/members of

Rimbunan Sawit Berhad hereby appoint ____

(NRIC No. ______________________) of ____

(full address) or failing *him/her, ______________________________________ (NRIC No. ______________________) of

____ (full address)

or Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Thirteenth Annual General Meeting of the Company to be held on Friday, 25 May 2018 at 12.00 noon and, at any adjournment thereof for/against the resolution(s) to be proposed thereat.

Resolutions	For	Against
1. To approve the increase of directors' fees for the financial year ended 31 December 2017.		
2. To approve the payment of directors' fees for the financial year ended 31 December 2017.		
3. To approve the payment of Directors' remuneration (excluding Directors' fees).		
4. To re-elect Tiong Ing Ming as director.		
5. To re-elect Tiong Kiong King as director.		
6. To re-appoint Messrs. Crowe Horwath as auditors for the ensuing year.		
7. To retain Mr. Tiong Ing Ming as an Independent Non-Executive Director.		
8. To retain Mr. Bong Wei Leong as an Independent Non-Executive Director.		
9. To approve the proposed renewal of shareholder mandates for recurrent related party transactions of a revenue or trading nature.		

[Please indicate with a (X) in the space above how you wish your vote to be cast. If no specific direction as to voting is indicated, the proxy will vote or abstain as he/she thinks fit.]

* Strike out whichever is not desired.

Dated this __________ day of ___________________ 2018

____
Signature / common seal of shareholder(s)

Notes:

1. A proxy may but need not be a member of the Company.
2. A member of the company entitled to attend and vote at the AGM shall be entitled to appoint more than one (1) proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy,
3. To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. If the appointor is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised. Any alteration to the instrument appointing a proxy must be initiated.
6. A depositor whose name appears in the Record of Depositors as at 21 May 2018 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.

Please affix stamp here

The Company Secretary
Rimbunan Sawit Berhad (691393-U)

North Wing, Menara Rimbunan Hijau,
101, Pusat Suria Permata,
Jalan Upper Lanang,
96000 Sibu, Sarawak.

RIMBUNAN SAWIT BERHAD (691393-U)

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