Innoprise Plantations

Innoprise Plantations Berhad

(Company No.285072-M)

ANNUAL REPORT 2017

AT A GLANCE

TURNOVER +1%

RM138.211 mil

2016: RM136.349 million

PRE-TAX PROFIT +34%

RM55.451 mil

2016: RM41.387 million

NET ASSETS +8%

RM340.858 mil

2016: RM316.802 million

OPERATING PROFIT +27%

RM57.472 mil

2016: RM45.187 million

TOTAL MATURE AREA

10,701 hectares

as of 31 December 2017

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CORPORATE GOVERNANCE

Scan this QR code to find more information online at **www.innoprise.com.my**

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CORPORATE INFORMATION

DIRECTORS

Datuk Hj. Majin Hj. Ajing
Independent
Non-Executive Chairman

Datuk (Dr.) Kelvin Tan Aik Pen
Managing Director

Datuk Sam Mannan @ Sham Mannan
Non-Independent
Non-Executive Director

Datuk Jaswant Singh Kler
Independent
Non-Executive Director

Puan Hajah Ainahwati Binti Abd Sani
Non-Independent
Non-Executive Director

Datuk Hj. Othman Bin Walat
Non-Independent
Non-Executive Director

Lim Fook Hin
Executive Director

Tan Aik Kiong
Alternate Director to
Datuk (Dr.) Kelvin Tan Aik Pen

SECRETARIES

Dorothy Luk Wei Kam (MAICSA 7000414)
Chan Ai Hoon (LS 0000393)

AUDIT COMMITTEE

Datuk Jaswant Singh Kler
Datuk Hj. Majin Hj. Ajing
Puan Hajah Ainahwati Binti Abd Sani

NOMINATION COMMITTEE

Datuk Hj. Majin Hj. Ajing
Datuk Jaswant Singh Kler

REMUNERATION COMMITTEE

Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Jaswant Singh Kler

EXECUTIVES' SHARE OPTION SCHEME ("ESOS") COMMITTEE

Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Jaswant Singh Kler
Lim Fook Hin

RISK MANAGEMENT COMMITTEE

Puan Hajah Ainahwati Binti Abd Sani
Lim Fook Hin
Liew Pei Kiong

AUDITORS

Ernst & Young
MPT 4604, Lot 17-28,
3rd Floor, Block B, Bandaran Baru,
Jalan Baru, 91000 Tawau, Sabah.
Tel: 089-774 233 Fax: 089-762 950

PRINCIPAL BANKERS

United Overseas Bank (M) Berhad
Malayan Banking Berhad
Ambank (M) Berhad

REGISTERED OFFICE

6th Floor, Menara Tun Mustapha,
Likas Bay, 88400 Kota Kinabalu,
Sabah.
Tel : 088-326 415
Fax: 088-432 104

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Block D13, Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03-7841 8000/
03-7849 0777 (Helpdesk)
Fax: 03-7841 8151/ 8152

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
(Main Market)

WEBSITE

www.innoprise.com.my

PROFILE OF DIRECTORS

DATUK HJ. MAJIN HJ. AJING

Chairman,
Independent Non-Executive Director
69 | Male | Malaysian

Datuk Hj. Majin Hj. Ajing was appointed as an Independent Non-Executive Director on 1 May 2005. He serves as a Chairman of the Nomination Committee, Remuneration Committee and ESOS Committee. He graduated with Bachelor of Arts from University of Malaya in 1974. He served with the Sabah State Government from 1974 to 1999 before starting his own business. During his tenure in the State civil service, he held various senior posts amongst others Secretary of Internal Affairs and Security (1982 – 1984), Permanent Secretary to the Ministry of Industrial Development (1984 – 1994), General Manager of Sabah State Railway (1994 – 1999) and Director of Sabah Archives (1999). He was Director of Gold Coin Malaysia Bhd ("GCM"), Chairman of Sarawak Flour Mill Sdn Bhd (subsidiary of GCM), Director of Sabah Gas Industries Sdn Bhd, Director of Sabah Economic Development Corporation and Sabah Forest Industries Sdn Bhd.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. He has no conflict of interest with the Company and has no convictions for offences within the past five (5) years.

DATUK (DR.) KELVIN TAN AIK PEN

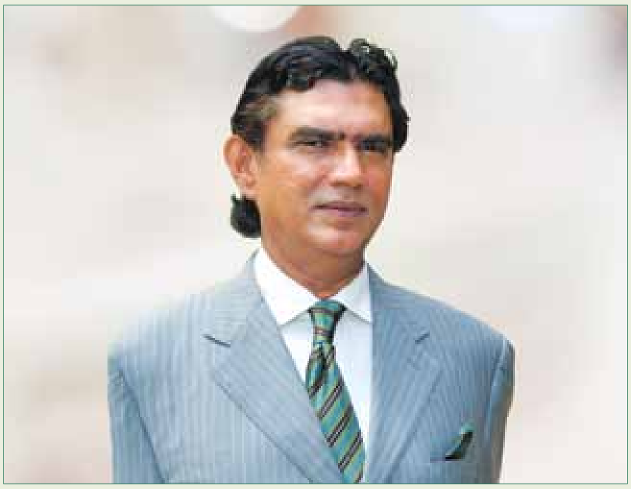
Managing Director
60 | Male | Malaysian

Datuk (Dr.) Kelvin Tan Aik Pen is the Managing Director of Innoprise Plantations Berhad and serves as a member of the Remuneration Committee and ESOS Committee. He was appointed to the Board of Directors of the Company on 7 December 2006. He is also the Chairman of TSH Resources Berhad. He sits on the board of a list of private companies.

Kelvin has more than thirty (30) years experience in resource based industry, which includes extensive working knowledge in international trade practices. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 – 2004 and trustee of the Borneo Conservation Trust Sabah, from 2010 to 2013. Kelvin was appointed to the Board of Directors of University Malaysia Sabah on 1 August 2017. He also serves as Honorary Director of Sabah Chinese High School. As recognition for the many contributions to environmental conservation and forestry, Kelvin was conferred Honorary Doctorate in Philosophy (Agroforestry) by Universiti Malaysia Sabah on 3 September 2006.

He is the brother of Tan Aik Kiong. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has no convictions for offences within the past five (5) years.

PROFILE OF DIRECTORS



DATUK SAM MANNAN @ SHAM MANNAN
Non-Independent Non-Executive Director
60 | Male | Malaysian

Datuk Sam Mannan @ Sham Mannan was appointed as a Non-Independent Non-Executive Director of the Company on 10 August 2005. He graduated with a Bachelor of Forestry Science from University of Canterbury, New Zealand in 1979. He joined the Forestry Department, Sabah since 1980 and held various senior positions in the Forestry Department. He was appointed as the Chief Conservator of Forests in 2004.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has no convictions for offences within the past five (5) years.

PUAN HAJAH AINAHWATI BINTI ABD SANI
Non-Independent Non-Executive Director
44 | Female | Malaysian

Puan Hajah Ainahwati Binti Abd Sani was appointed as a Non-Independent Non-Executive Director on 3 November 2008. She serves as a member of the Audit Committee and Risk Management Committee. She graduated from International Islamic University Malaysia and holds MBA (International Business) from Universiti Malaysia Sabah. She joined the Sabah Foundation in 1997 as a Senior Audit Officer and in 2006 she is appointed as Group Company Secretary.

She has no family relationship with any of the directors or substantial shareholders of the Company. She has no directorship in any other public listed company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, she has no other conflict of interest with the Company and has no convictions for offences within the past five (5) years.

PROFILE OF DIRECTORS

DATUK JASWANT SINGH KLER

Independent Non-Executive Director
77 | Male | Malaysian

Datuk Jaswant Singh Kler was appointed as an Independent Non-Executive Director on 7 December 2006. He serves as Chairman of the Audit Committee and serves as a member of the Nomination Committee, Remuneration Committee and ESOS Committee. He is an Associate member of the Incorporated Society of Planters and continues to play an active role as senior member of the planting fraternity in Malaysia and sits on the Board of TSH Resources Berhad. He also holds directorship positions in various subsidiary companies of TSH Group.

Notably, he was the chairman of the East Malaysia Planters' Association from 1985 to 2000. He was an Independent Non-Executive Director of Kwantas Corporation Berhad and an Executive Director of Bena Plantation Sdn. Bhd. before he left in 2006 and 1984 respectively. He now manages his own plantation consultancy business under Agri Cek Sdn. Bhd.

He participates actively as a committee member of Malaysian International Chamber of Commerce & Industry - Sabah Branch. He is a member of the Institute Development Studies (Sabah) and also a life member of Agricultural Institute of Malaysia.

He does not have any family relationship with any other directors and or other major shareholders of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past five (5) years.

DATUK HJ. OTHMAN BIN WALAT

Non-Independent Non-Executive Director
68 | Male | Malaysian

Datuk Hj. Othman Bin Walat was appointed as a Non-Independent Non-Executive Director on 7 December 2006. He graduated with a Diploma in Agriculture from University Pertanian Malaysia in 1970. He started with Federal Land Development Authority (FELDA) in 1972 as Assistant Manager and was promoted to Project Manager in 1973.

He joined Kumpulan Guthrie Berhad as Estate Manager in 1974, and held various senior positions of the Group (1983-2004), and as Group Controller in 1996. He became Group Director Plantation (2003-2004). He served as Chief Executive Officer of Sabah Softwoods Berhad from 2004 to 2008. He is now the Group Managing Director to Sawit Kinabalu Group since 2008.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past five (5) years.

PROFILE OF DIRECTORS

LIM FOOK HIN

Executive Director

68 | Male | Malaysian

Lim Fook Hin was appointed as an Executive Director on 7 December 2006. He serves as a member of the Risk Management Committee and ESOS Committee. He is currently a Non-Independent Non-Executive Director of TSH Resources Berhad. He also sits on the board of some subsidiary companies within the TSH Group and also holds directorship in other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants. After qualifying as a member of the ICAEW, he joined Coopers & Lybrand as an Audit Senior in 1976 and was transferred to Coopers' Management Consultancy Services in 1977. He joined the Commonwealth Development Corporation in 1978 and was seconded to Sarawak Oil Palm Sdn. Bhd. as the Company Secretary.

He joined BAL Plantation Sdn. Bhd. in 1981 as the Financial Controller until 1993. His main responsibility included financial management, merger and acquisition and commodity marketing. He was the Chief Executive of United Palm Oil Industries PLC ('UPOIC'), a company listed on the Stock Exchange of Thailand before joining TSH Resources Berhad in 1997.

He does not have any family relationship with any other directors and/or other major shareholders of the Company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has no convictions for offences within the past five (5) years.

TAN AIK KIONG

Alternate Director to Datuk (Dr.) Kelvin Tan Aik Pen

58 | Male | Malaysian

Tan Aik Kiong was appointed as an Alternate Director to Datuk (Dr.) Kelvin Tan Aik Pen on 16 December 2014. He is the Group Executive Director of TSH Resources Bhd. He also sits on the board of various subsidiary companies of TSH and also holds directorship in other private limited companies. He obtained a Masters degree in Civil Engineering, majoring in Construction Management, from the University of Oklahoma, United States of America in 1986. Prior to joining TSH Resources Berhad in 1987, he worked with Prudential Bache Ltd., an established brokerage and commission house in 1986 and subsequently with Ameroid Services Pte. Ltd., an independent warehousing company in Singapore.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has no convictions for offences within the past five (5) years.

KEY SENIOR MANAGEMENT PROFILE

JOHN BIN SINDIN
General Manager
51 | Male | Malaysian

Date Appointed as General Manager:
2015

Qualification:
Member of Incorporated Society of Planters

Working Experience:
BAL Plantation Sdn Bhd
1986 -1989: Cadet Planter in government Trainee
1990 -1994: Junior Assistant Manager
1995 -1997: Assistant Manager

Kamabong Sdn Bhd
1997 - 2002: Estate Manager

TSH Resources Berhad
2002 - 2006: Estate Manager
2006 - 2009: Senior Estate Manager
2009 - 2015: Assistant General Manager

Innoprise Plantations Berhad
2015 - Present: General Manager

Save as disclosed, John Bin Sindin has no directorships in the Company and any other public companies. He has no family relationship with any Director/major shareholder of the Company. He has no conflict of interest with the Company and has no conviction for offences within the past five (5) years.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

The Group is principally involved in cultivation of oil palm, processing of FFB to produce crude palm oil (CPO) and palm kernel (PK). The Group is presently undertaking planting and development on 22,763 hectares of land of which approximately 13,000 hectares are suitable for oil palm planting. Plantation operation is organised under six (6) estates, namely Imbak, Gunung Rara, Labau, Maliau, Lokan and Luasong estates and one (1) palm oil mill with capacity of 60/90 MT FFB per hour. All are located in the locality of Gunung Rara/Kalabakan, Sabah.

The Group is working towards certification by the Roundtable for Sustainable Palm Oil (RSPO) and is committed to becoming an environmental and community friendly organization.

FINANCIAL RESULTS

Key Financial Performance

The purpose of this review is to provide an overview of key financial performance at Group Level.

		2017	2016
Revenue	RM'000	138,211	136,349
Profit before interest & taxation	RM'000	57,472	45,187
Pre-tax profit	RM'000	55,451	41,387
Net profit after tax	RM'000	42,697	31,358
Return on average equity (ROE)	%	12.53	9.90
Net cash generated from operating activities	RM'000	61,857	34,708
Net gearing	%	10	15
Total Shareholder's fund	RM'000	340,858	316,802

Segmental contributions to operating profit.

	2017 RM'000	2016 RM'000	Change %
Plantation	57,472	39,393	46%
Contract Timber Logging	-	5,794	(100%)
Total Operating Profit	57,472	45,187	27%

- Plantation segment's contribution increased by 46% to RM57.472 million due to higher FFB production and higher CPO price. Profit was all generated from palm products segment as the logging contract expired on 4 June 2016 and was not renewed.
- Pre-tax profit increased 34% to RM55.451 million compared to the previous financial year due to reasons as explained above and also on account of lower interest expenses.
- Net profit attributable to shareholders increased to RM42.697 million with Earning per Share at 8.92 cent.
- ROE improved to 12.53% compared to 9.90% for the previous financial year.
- The Group generated Operating Cash Flow of RM61.857 million against RM34.708 million in the preceding year. Consequent to healthy cash flow generated from operations, the Group's net gearing has been reduced to 0.10 and Net Interest Covered improved to 25 times (2016: 12 times).

Financial Assets And Financial Liabilities

For the financial year 2017, the Group spent RM16.732 million for the acquisition of vehicles and field/mill equipment as well as the construction of housing, staff and workers' quarters and stores for fertiliser and chemicals. The Group also spent RM10.612 million on oil palm plantation development.

The Group's shareholders' equity as at 31 December 2017 stood at RM340.858 million, an increase of RM24.056 million as compared to FY2016. The increase was mainly due to net profit for the year of RM42.697 million. During the financial year, the Group payout total single-tier dividends of 4 sen amounting to RM19.154 million.

As at 31 December 2017, the Group's borrowings stood at RM35.861 million as compared to RM53.837 million in FY2016.

PRE-TAX PROFIT

RM55.451 mil

BUSINESS REVIEW

Plantation Operations

Out of a total land bank of 22,763 hectares, it is estimated that 12,722 hectares are plantable. At the end of the financial year, total area planted is 12,064 hectares of which 10,701 hectares are matured. A further 361 hectares will come into maturity during 2018. We expect to complete our planting programme by 2018. The area statement is as shown below:

Fees Paid	2017 Ha	2016 Ha
Matured	10,701	9,542
Immature	1,363	2,363
Total Planted	12,064	11,905
Plantable	658	896
Unplantable	10,041	9,962
Total Area	22,763	22,763

As can be discerned from the area statement, the Group's plantations operate under rather challenging environment as most of the area is undulating to hilly. On the other hand, generally favourable rainfall pattern is a positive factor. Nonetheless management is confident that above average yield can be achieved with hands-on management and dedication to details. Yield achievable is further augmented through planting of TSH's Wakuba high yielding clonal palms. Critically, the Group is able to tap on the management expertise of TSH Resources Bhd on agronomic and agricultural husbandry practices.

With the waning impact of the 2016/17 El Nino phenomenon in the first quarter of 2017, the Group is able to produce 196,597 MT of FFB in 2017 which represents an increase of 23% against FY2016. The increase is principally due to higher hectarage under harvesting and improving age profile of the plantings. However yield per mature hectare improved to 18.37 MT per hectare in 2017 from 16.71 MT per hectare in 2016.

MANAGEMENT DISCUSSION & ANALYSIS

The Group's oil palm ages are between 1 to 10 years with about 11% being immature palms. About 53% are young mature palms (4 - 7 years) with an increasing yield trend in coming years and 36% of the total palms are of prime mature (8 - 10 years). As such there will be no necessity for replanting for the next 15 years.

Details of Oil Palm Maturity Profile are as follow:

	Immature	Young Mature	Prime Mature	Total
Imbak *Ha*	138	510	1,150	**1,798**
Labau *Ha*	116	1,490	665	**2,271**
Maliau *Ha*	135	868	1,089	**2,092**
Lokan *Ha*	669	1,082	477	**2,228**
Luasong *Ha*	144	2,068	-	**2,212**
Gunung Rara *Ha*	161	311	991	**1,463**
Total *Ha*	1,363	6,329	4,372	**12,064**

The Group recognises the importance of quality planting materials as the primary building block for long term competitiveness and sustainability. Towards this end more new area will be planted with TSH Wakuba clonal oil palm materials which have proven to produce high oil yield per hectare and at the same time stringent culling, best nursery upkeep practices and field planting standard will be observed.

While many factors, including weather conditions influence yield, management has to focus on controllable factors, be hands on and pay attention to details in order to achieve high productivity and cost efficiency. Quality Management Team has been established at each estate to ensure all aspects of operation comply with Standard Operating Procedures.

The Group is firmly committed to sustainability and has been a member of Roundtable on Sustainable Oil Palm (RSPO) since 2014. Certification process is in progress and the Group targets to have the mill and one (1) estate certified in 2018.

MANAGEMENT DISCUSSION & ANALYSIS

MILLING OPERATIONS

The Group operates a 60/90 MT FFB per hour palm oil mill which commenced commercial operation on 17 December 2014. In FY2017, total FFB processed was 194,310 MT which is 35,401 MT higher than the preceding financial year. The mill recorded total production of 44,758 MT (2016: 39,135 MT) of CPO and 6,779 MT (2016: 5,411 MT) of PK. The Group achieved OER of 23.03% for CPO (2016: 24.63%). Heavy rainfall especially during the second half of the year adversely impacted FFB collection operating and consequently oil extraction rate. Despite this, OER is still much above industrial average and can be sustained through the Group's commitment to KPI oriented process and procedures in oil palm cultivation, harvesting and milling operations.

Mill processing statistics are as shown below:-

	2017	2016	Change (%)
FFB Processed (MT)	194,310	158,909	22.28%
Mill Production (MT)			
• CPO	44,758	39,135	14.37%
• PK	6,779	5,411	25.28%
Extraction Rates (%)			
• CPO	23.03	24.63	(6.49%)
• PK	3.49	3.41	2.35%
Average Selling Price (RM/MT):			
• CPO	2,742	2,580	6.28%
• PK	2,458	2,482	(0.97%)
Sales Volume (MT)			
• CPO	44,100	39,246	12.37%
• PK	6,658	5,464	21.85%

TIMBER LOGGING OPERATION

The Group has an Eco-logging extraction contract with Rakyat Berjaya Sdn. Bhd., which expired on the 4th June 2016 and was not renewed.

Timber segment contributed RM5.794 million profit to the Group's revenue for FY2016 (FY2017: Nil).

Outlook And Prospect

Management is confident of a double digit percentage growth in FFB production in 2018 due to favourable weather in 2017 and in the case of the Group, production should also be boosted by the better age profile as more area comes into higher yielding age and with additional area coming into maturity and harvesting.

On the global front, there will be more economic uncertainties brought about by political changes in Europe and USA with the latter posing a risk of trade war which could dampen world trade and economic growth. CPO price for 2018 will be governed by the extent increase in CPO production in Indonesia and Malaysia, supply of oilseed crop from USA/ South America and demand from India and People's Republic of China. Nonetheless CPO price is expected to be reasonably remunerative for 2017 although prices have corrected from the high of RM3,200 pmt reached in January 2017.

For the longer term the Group is optimistic about the prospects of palm oil industry due to population growth propelling increased demand, higher per capital income and the many health qualities of palm oil.

MANAGEMENT DISCUSSION & ANALYSIS

To enhance long term sustainability management will continue its relentless drive for productivity and efficiency improvement to reduce unit cost of production.

Dividend

The Board has recommended Final Dividend of 3 sen per share for the year ended 2017 subject to shareholder's approval at the Annual General Meeting to be held on 21 May 2018. Coupled with an interim dividend of 2 sen paid in 2017, total dividend for the FY2017 comes to 5 sen per share.

With the majority of the Group's plantation already mature and on an ascending yield curve phase and as much of the supporting infrastructural facilities, offices, stores, staff and labour quarters and workers' amenities having been completed, future capital expenditure will be substantially reduced.

In the light of the above, your Board has adopted a dividend policy to distribute up to 70% of profit after tax by way of dividend.

This statement is made in accordance with a resolution of the Board of Directors passed on 13 April 2018.

SUSTAINABILITY STATEMENT

The Company's principal subsidiary Serijaya Industri Sdn. Bhd. (SJI) operates an oil palm plantation and palm oil mill within a Class Two Forest Reserve in Tawau, Sabah. Stringent requirements are imposed by the Forest Department of Sabah on SJI's operation including slope limitation, conservation of riparian reserve, water quality control and erosion prevention. Additionally SJI has separately agreed with the Forestry Department to undertake silviculture treatment/ enrichment planting for up to 500 hectares a year. Hence sustainability has always been an integral part and guiding principle in our operation procedures and business decision. Over the years, the Group has undertaken various efforts to improve our environmental initiatives. Our community programs have improved the livelihoods of our employees and local communities. Sustainability occurred in all areas: production, social accountability and sound environmental management.

SUSTAINABILITY STATEMENT

This sustainability statement will outline our efforts at practising and improving sustainability in economic, environmental and social aspects. We will highlight some of the achievements made throughout 2017 from our efforts to turn waste into energy to enriching forests to our effort in helping the local community.

Short-term goals

- Monitoring of water usage for palm oil mills.
- Managing pesticide usage for oil palm estates.
- Integrated pest management to be undertaken in all estates.
- Sustainability Standard Operating Procedures (SSOP) and insertion of sustainability requirements inside all the Operational SOP.
- Roundtable on Sustainable Palm Oil ("RSPO") certification for one estate and palm oil mill.

Long-term goals

RSPO certification for all 6 related estates within 5 years (Time-bound plan).

Sustainability Vision

To be a Sabah based plantation company committed to long term sustainability.

Sustainability Mission

To be a progressive plantation enterprise with focus on sustainable production, social accountability and environmental management.

GOVERNANCE

As demonstration our commitment towards sustainability, the Group has set up a department dedicated to managing sustainability issues with regard to our oil palm activities. Headed by an Executive Director, the Department pays particular attention to the principles, criteria and mandatory requirements under the RSPO certification regimes, as well as regulations imposed by the Forest Department of Sabah.

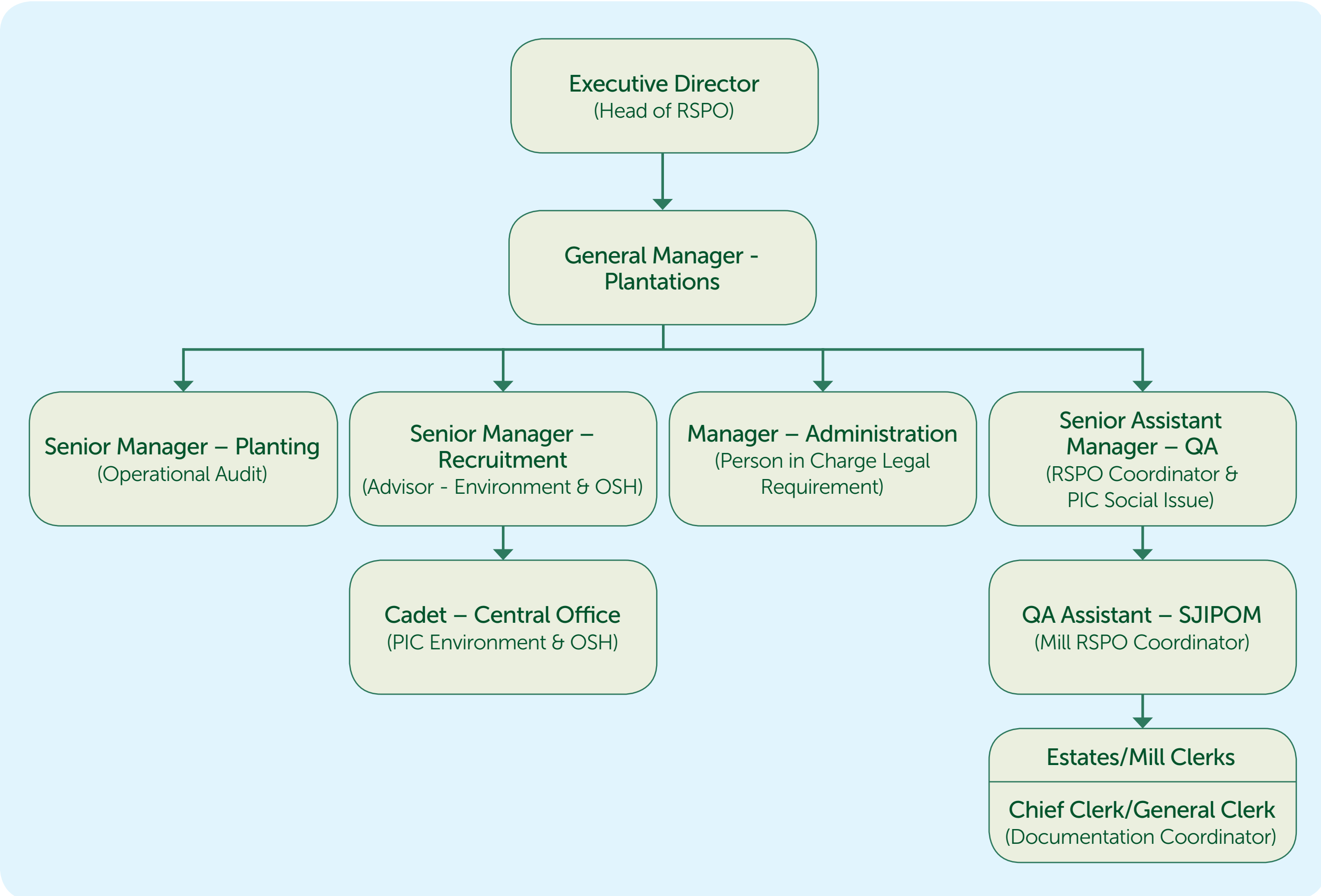
In addition, through the Executive Director, the Board delegates the responsibility of managing day-to-day operations in accordance with the standards for social and ethical practices that have been set out in the Employee Handbook.

The Board has set specific sustainability objectives and the timelines in which to achieve them such as the RSPO certification and silviculture/enrichment planting. Management regularly updates the Board on the progress of these objectives.

Safety and health issues are managed by a Safety & Health Committee in the respective estates and mills. The Company also has a Risk Management Committee which reviews risk policies, profiles and registers and is assisted by the Internal Audit Department.

SUSTAINABILITY STATEMENT

GOVERNANCE (CONT'D)



The Board is ultimately responsible for implementing IPB's Code of Ethics which is applicable to directors, officer and employees of the Group. The Corporate Disclosure Policy and Procedures outlines the policies and processes for communications with shareholders and investors to ensure that the communications are effective and comply with the applicable laws, rules and regulations.

RISK MANAGEMENT

SJI has identified and will focus on managing two types of risk, strategic and operational. Strategic risks are caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. These are dealt with by the Board and the Executive Director.

Operational risks are inherent in the activities within the different business units of SJI. These risks are the responsibility of the various Business Units or Department heads.

Key Risks In 2017

Adverse Weather Conditions

Extreme weather, including both drought (El Nino) and prolonged rainy seasons (La Nina) may adversely impact estate operations. Of the two, the impact of low or delayed rainfall on palm trees is more immediate, longer lasting and pronounced. Drier weather brought on by El Nino causes moisture stress in palms. On the other hand, prolonged rainy seasons may also affect the progress and effectiveness of field maintenance programs as well as hamper harvesting and logistic activities.

SUSTAINABILITY STATEMENT

RISK MANAGEMENT (CONT'D)

Key Risks In 2017 (Cont'd)

Compliance With Forestry Act And Regulations

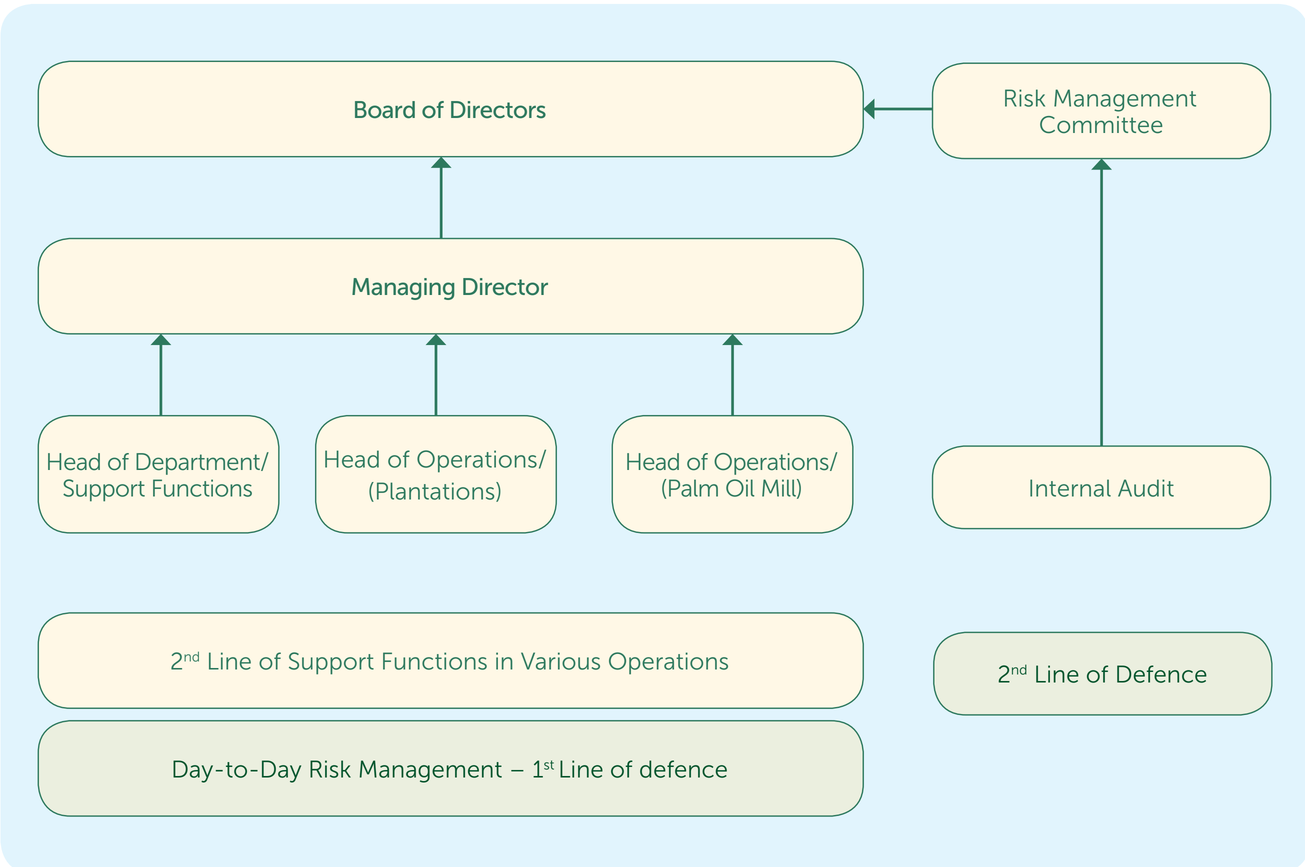
Forestry Department officials regularly visit SJI's estates unannounced. Non compliance could result in fines being imposed and on a worst case scenario stop operation order. As mitigation measure, a check list of compliance with Forestry Act and Regulations has been provided to operational staff and new staffs are briefed on various environmental issues.

Fluctuation of Palm Product Prices

An external uncontrollable factor, fluctuation in prices has significant impact on the Company's profitability.

Labour Shortage

The estates are largely dependent on foreign workers. In the event of acute shortage, estate operation could be severely hampered, adversely affecting FFB production.



SUSTAINABILITY STATEMENT

SUSTAINABILITY IN PRACTICE

The Company's sustainability initiatives are undertaken through a four-pronged approach that can be categorized as:

Sound Environmental Management

We promote sustainable Good Agriculture Practices and the use of renewable resources. Our efforts are underlined by an ongoing commitment towards certification and standards. SJI complies with the Environmental Impact Assessment ("EIA") requirements of projects and other regulations on safety and the environment.

Human Resources Development

SJI is committed to treating all employees equally and pays them fairly according to their skills, performance and local market conditions. SJI also provides periodic training and opportunities for professional development. We also have zero tolerance for harassment of any kind in the workplace.

Occupational Safety & Health ("OSH")

SJI has set up a Safety & Health Committee and an Emergency Response Team (ERT) for each operating unit to further embed a safety culture within the company. Employees are continuously trained and updated with safety procedures while business operations are subjected to regular safety and health reviews.

Community

SJI provides business and employment opportunities to the local community whereby local traders are invited to market their products during "tamu" or open market day. Job vacancies are advertised in local newspaper and local community halls at Kampung Luasong and Kalabakan.

Key Sustainability-related Policies

Economic

- Board Charter.
- Code of Ethics.
- Corporate Disclosure Policy and Procedures.
- IPB Corporate Governance Guidelines.
- Transparency Policy Statement.
- Whistle-Blowing Policy.
- Sustainability Information Request Procedure.

Environmental

- Environment Policy Statement.

Social

- Child Labour Policy Statement.
- Equal Opportunity and Discrimination Policy Statement.
- Freedom of Association Policy Statement.
- Good Agricultural Practices (GAP).
- Human Rights and Responsible Business Practices Policy.
- Reproductive Rights Policy Statement.
- Safety and Health Policy Statement.
- Sexual Harassment Policy Statement.
- IPB Group Employee Handbook.

SUSTAINABILITY STATEMENT

SCOPE

This statement covers SJI's estates and palm oil mill operations.

The statement covers the period from 1 January to 31 December 2017 and follows the Amendments to Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

STAKEHOLDER ENGAGEMENT

IPB attaches considerable importance to being open and transparent. The Group recognises that transparency promotes accountability and ensures that matters pertaining to stakeholders are approached with an emphasis on openness, ethical conduct, as well as operational and economic responsibility.

The Group aims to uphold the principles of conducting its business in an accessible and visible manner. The presupposition of transparency does not preclude the legitimate protection of information (including commercial information) whose release would invade personal privacy, breach of confidentiality or damage other genuinely compelling interests.

IPB will continue to improve its long-term relationships with stakeholders. Its website provides access to the latest information on the Group's financials and operations as well as the direction of the Group. There are email links for stakeholders to provide feedback or enquiries.

Also, stakeholder meetings are conducted at the estate level and during the assessment process for the Social Impact Assessment (SIA), Environmental Impact Assessment (EIA) and High Conservation Value (HCV) reports.

At the corporate level, the secretarial department ensures compliance with all regulatory requirements and communication with regulatory bodies. Constant two-way communication is also established with investors, analysts and shareholders via General meetings, quarterly announcements on results, periodic announcements to Bursa Securities and through press releases.

Stakeholder Group	Engagement Platforms	Issues Raised in FY2017	Response to issues and outcomes
Employees	- Multichannel engagement	- Safety and health improvements - Housing / amenities improvements - Minimum wage - Performance review	- Weekly housing inspection on cleanliness/health issue - Provide medical services (clinics and medical surveillance) - Building more permanent housing, community hall and sport facilities - Minimum wage implemented - Performance review for all staff
Shareholders	- Multichannel engagement	- Non-financial indicators	- Improved disclosure with regard to business-related performance, palm age profiles which are in the Annual Report 2017, total hectares of mature, immature, planted and unplanted areas, and measures undertaken to ensure data accuracy

STAKEHOLDER ENGAGEMENT (CONT'D)

Stakeholder Group	Engagement Platforms	Issues Raised in FY2017	Response to issues and outcomes
Communities	- Town hall meetings - Various other formal and informal engagement	- Water Quality Issue - Business/Employment Opportunities	- Water quality (upstream and downstream) is monitoring through Ensolve (appointed consultant for SJI) environment monitoring surveillance (every 4 months) (i) Business opportunities. Invite local traders during "tamu" or open market once a month (ii) Advertised job vacancies through local newspapers, posted at local community hall (Kg. Luasong, Kg. Kalabakan, etc) (iii) Participate in the "open interview" organized by Labour Department
Civil Society	- Multichannel engagement	- World Wildlife Fund	- Prohibition of poaching of all protected species - Committee member on joint consultation on human and elephant conflicts - Installation of electric fencing to prevent wildlife intrusion
Government	- Multichannel engagement	- Fire prevention requirements - Wildlife protection	- Fire Prevention Plan endorsed by the Chief Conservator of Forest Sabah - Reporting to Forestry Department on illegal hunting and encroachment into protected forest reserve
Suppliers	- Local contractors/ suppliers	- Assistance to local contractors - Priority for local suppliers	- Meet targets for local suppliers
Media	- Multichannel engagement	- Financial and community information reported in various media platforms	- Meet commitment for transparency

SUSTAINABILITY STATEMENT

MATERIALITY

The issues most material to our business were determined from an analysis of internal documents, peer reviews and our risk register. We also used indicators in the Bursa Securities Sustainability Reporting Guide and the Global Reporting Initiative (GRI)/G4 Sustainability Reporting Guidelines.

Commitment to Certification

In order to ensure that our operations are benchmarked to global standards, the Group became an RSPO member in August 2014. All our business units have committed to achieving RSPO certification within 5 years (2018 - 2022).

Status Updates

Description	2017
Number of RSPO-certified estates	1 pending
Number of RSPO-certified mills	pending

Supply Chain Management

As a responsible Company, the Group works to ensure that the materials and components we use in our entire supply chain such as fertilizers can be traced to sources.

We also strive to ensure that we source as much of our materials as possible from local suppliers so as to empower and boost the surrounding economy. In 2017, 237 of suppliers were local suppliers.

We strictly adhere to all local labor regulations and ensure that there is zero tolerance for forced labor and child labor. This is done through field audits and inspections of our plantations.

ENVIRONMENT

IPB works to ensure that its operations are environmentally responsible, and takes steps to protect and effectively manage risks that may adversely impact the environment. An independent environment consulting firm undertakes river water quality analysis every four months. Our Environment Policy Statement deals with greenhouse gas emissions (GHGs), waste management and biodiversity issues. We also have a zero burning policy for all our operations.

Wastes are recycled and managed, monitored to minimize its effluents and sources of pollution. We also partner with government agencies to protect bio-diverse and fragile ecosystems, besides replanting degraded and logged-out forests. The Group also generates renewable energy from oil palm waste for our own use and as a way to cut greenhouse gas emissions.

The Group undertakes Environmental Impact Assessment (EIA) prior to any land development. New area for development will comply with New Planting Procedures under RSPO.

SUSTAINABILITY STATEMENT

ENVIRONMENT (CONT'D)

In addition, our palm oil production is handled according to Good Agricultural Practices (GAP) guidelines where field operations in the plantation and transportation are processed in ways that minimize environmental impact and take into account occupational safety and health of workers.

Waste-to-Energy

A subsidiary - IPB Bio Energy Sdn. Bhd. operates a 1.7 MW biomass power plant to supply steam to the mill, electricity to the mill, offices and estate housing. This represents our contribution towards reduction of carbon and greenhouse gas emission.

Waste as Fertiliser

Oil palm waste, empty fruit bunches (EFB) and decanter waste from mills are turned into mulch and organic fertilisers which are then applied in the plantations. This recycles the waste we produce and into a material that we use on our own operations. The process is environmentally sound as it enhances soil structure and saves money that would have otherwise been spent on waste disposal and buying chemical fertiliser.

Water

SJI maintains riparian boundaries to prevent freshwater contamination. We maintain an area of natural riverside vegetation – known as a 'riparian reserves' – along both sides of a river that acts as a buffer between our plantations and the water source. To ensure that we stay within environmentally accepted limits, external lab assessments of the river water are done every four months. We also monitor the amount of water used in our mills and estates.

2017	Description
8.69 m^3/metric tonnes of crude palm oil produced	Volume of water intensity (m^3/metric tonnes of crude palm oil produced)

FOREST RESERVE AND RIPARIAN RE-GENERATION

SJI has in liaison with the Sabah Forest Department set a target of undertaking 500 hectares of silviculture/enrichment planting per year within the unplanted forest and riparian reserve. This target has been achieved yearly and todate 1,994 hectares had been undertaken.

Biodiversity

SJI has put in place several practices to mitigate our impact on the surrounding environment's biodiversity. These include annual wildlife population assessments, soil conservation treatments, growing beneficial plants and monitoring HCV areas. To reduce pesticide use, we have implemented an integrated pest management program that involves conducting pest censuses and growing beneficial plants which are natural habitats for predators that feed on leaf-eating pests.

SUSTAINABILITY STATEMENT

> At IPB, we realize that our successes are the result of our employees' collective energy and efforts at the workplace. We continuously strive to bring out the best in them through technological systems that aid them in their work and through streamlined management and operating procedures.

WORKPLACE

At IPB, we realize that our successes are the result of our employees' collective energy and efforts at the workplace. We continuously strive to bring out the best in them through technological systems that aid them in their work and through streamlined management and operating procedures.

We have in place civil and labor rights protections to further look after their welfare, and rewarding them according to merit. Management believes that these measures will create a workplace where our employees feel dignified and respected no matter their ethnicity, religion, political beliefs or age.

We also strictly comply with local labor regulations and have implemented national minimum wage rates throughout our operations.

Human Rights

IPB is fully committed to operating in an ethical and responsible manner, and to eradicate human rights violations throughout its supply chain. Our Human Rights and Responsible Business Practices Policy covers elements of anti-bribery, anti-corruption and forced labor. One of the policy's main objectives is to emphasize the importance of Free, Prior and Informed Consent (FPIC). The impediment of these rights whether through bribery or through the fraudulent use of funds will not be tolerated. The Company will not do business with those who violate the rights of others, such as by using forced or child labor. No incidences of forced or child labor have been found at our operations.

We have a formal grievance mechanism so that complaints of mistreatment and abuse can be reported. The mechanism covers complaints on labor practices and human rights, and also comes with a remediation process.

Freedom of Association

IPB respects the right of its employees to freedom of association and, as such, the Company neither encourages nor discourages employees from joining trade unions.

The Company has established workplace welfare committees to represent employees and provide them a structured communication channel in the event a union is not present.

Maternal Care

The Company supports its employees' reproductive rights and promotes accessibility to maternal health care. The Reproductive Rights Policy Statement underlines our commitment. The group also ensures that pregnant employees are not engaged in handling weedicides and pesticides and we give adequate days off.

Child Labor

IPB is fully against the use of children for work and is fully committed to eradicating the occurrence of child labor in its workforce, which includes among employees, contractors, and any other comparable form that constitutes as labor according to local and international laws.

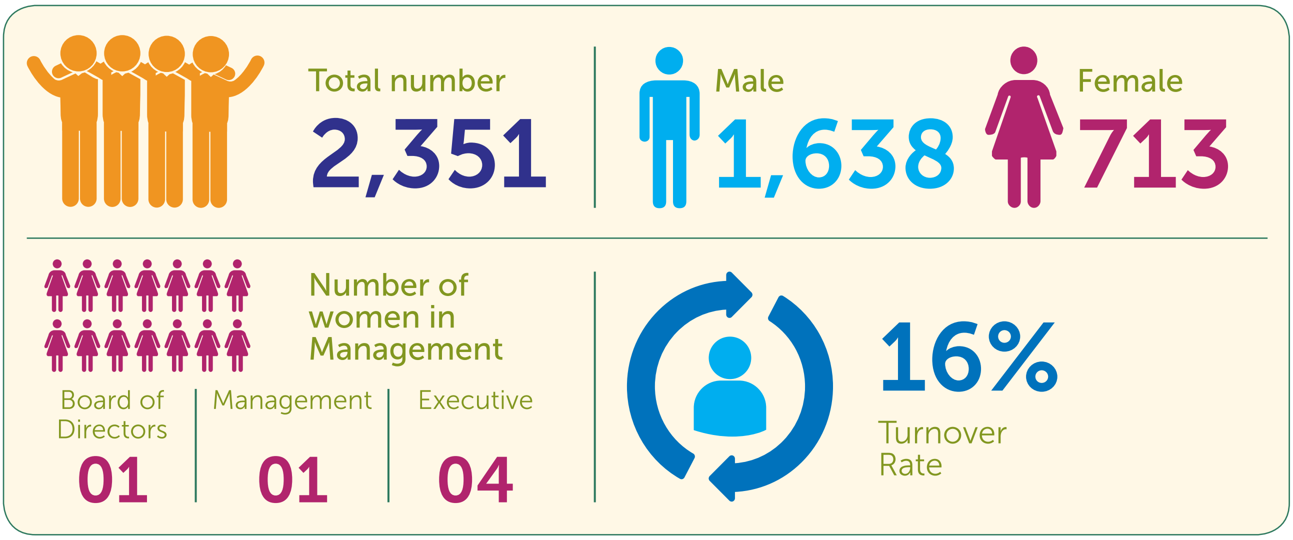
WORKPLACE (CONT'D)

Workforce Diversity

IPB is committed to equal opportunity at work, embraces diversity and is against any and all forms of discrimination. The Group aspires to maintain a fair workplace by recruiting, developing, and retaining a diverse workforce.

In order to achieve this goal, the Company promotes the right to work and advancement on the basis of merit, ability, potential, and experience that is free from prejudice. The Company is strongly against the discrimination of any person based on age, race, nationality, religion, disability, gender and political affiliation.

Employee Breakdown (2017)



Occupational Safety and Health

The group is committed to maintaining high safety and health standards within its workforce, contractors and visitors within the Group and its subsidiaries. To achieve this objective, each operation unit has established a Safety and Health Committee which is responsible for cultivating safe working practices and behavior. A series of in-house training programs on safety and health have also been conducted by committee members and external experts.

The Company provides adequate health care such as medical check-ups for workers handling chemicals, pesticide, fertilizer and who operate the chemical premix station. Besides protective clothing, workers are trained to handle pesticides in a safe manner.

Sexual Harassment

IPB has a zero tolerance policy for sexual harassment of any kind within the Group and its subsidiaries. Sexual harassment is deliberate or repeated, unsolicited and unwelcome verbal comments, gestures or physical contact of a sexual nature, or request for sexual favors which interferes with an individual's work performance.

SUSTAINABILITY STATEMENT

WORKPLACE (CONT'D)

Training and Development

We nurture a conducive learning culture for all our employees – from the lowest general worker to the senior manager – to equip them with the knowledge and skills to effectively perform and overcome the challenges in our industry:

- The all-encompassing Group Human Resource Manual spells out the benefits, rules and regulations and policies for our employees.
- Our estates and mills conduct daily safety briefings for workers.
- Field workers are trained in Standard Operating Procedures (SOP).
- Fire drill training provided by Fire and Rescue Department, Tawau.

Description	2017
Percentage of staff receiving regular performance and career development review (%)	100%

Succession Planning

The senior management succession plan involves attracting and developing talented and skilled people who fit with the Company's culture and business strategy as well as identifying successors for senior management positions. The Board is responsible for reviewing, monitoring, appointing and dismissing senior management while the Group Managing Director is responsible for the senior management succession plan.

Employee Engagement and Benefits and Wellbeing
Benefits and Welfare

IPB provides a host of benefits that enhances the welfare of our workers especially those staying in our plantations. These benefits include physical facilities such as housing, schools, sports grounds, child crèches, treated water supply and places of worship.

WORKPLACE (CONT'D)

Engagement

IPB understands that non-work activities and programs are important to employee well-being and morale, and the Company continues to engage with employees through a variety of activities and celebrations in 2017. These include:

- Talk on woman health and well being organised by Gender Committee
- First Aid Training by Cert Academy for selected staff
- Annual Dinner
- Labor Day Celebration
- Harvest Festival Celebration
- Zumba exercise organised by Gender Committee
- Majlis Berbuka Puasa for mill and estates
- Hari Raya Celebration for mill and estates
- Majlis Gotong-Royong for estates/ mill housing complex
- Family Sport Day
- Opening Ceremony for Imbak's pre-school for employees' children
- Christmas and New Year Celebration for estates and mill

COMMUNITY

As a responsible corporate citizen, IPB strives to contribute to the surrounding community particularly to children and the underprivileged. Community contributions are managed by estate management.

Community Giving and Charity

Donations to staff and community include:-

1) Donation to fire victims at Tanjong Batu.
2) Donation to Tun Nur Juhar Foundation for the needy during Hari Raya Festive Season.
3) Donation to family of a staff who passed away.
4) Donation to a staff who was a victim of a fire incidence at Kg Titingan.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Innoprise Plantations Berhad ("IPB") ("Board") recognizes that exercise of good corporate governance in conducting the business and affairs of the Company with integrity, transparency and professionalism are key components for the Company's continued progress and success. These will not only safeguard and enhance shareholders' investment and value but will at the same time ensure that the interests of other stakeholders are protected.

The Board is therefore committed to high standards of corporate governance and business practices. Accordingly, the Board has adopted IPB Corporate Governance Guidelines ("IPB Guidelines") to assist the Board in the exercise of its responsibilities. The IPB Guidelines, along with the Terms of Reference ("TORs") of the Board and Board Committees provide the framework for corporate governance at IPB. The Board periodically reviews the IPB Guidelines and TORs to ensure its relevance and they were last updated on 22 February 2018.

The Board is pleased to present this statement, an overview of IPB's corporate governance practices during the financial year with reference to the three Principles which are set out in the Malaysian Code on Corporate Governance 2017 ("Code"):

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Role and Responsibilities of the Board

The Board has overall responsibility for overseeing the effective management and control of the Group on behalf of IPB's shareholders and supervising executive management's conduct of the Group's affairs within a controlled authority framework, which is designed to enable risk to be prudently and effectively assessed and monitored. The Board has adopted a schedule of matters reserved to it for decision, a copy of which can be found on IPB's website at www.innoprise.com.my.

The Board is guided by its Board Charter which sets out the Board's roles, powers, duties and functions. The Board Charter can be found online at IPB's website. The structure of the Board ensures that no individual or group of individuals dominates the Board's decision-making process. The Board is supported by the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Each Board Committee has defined TORs, which can be found on IPB's website.

Clear Functions of the Board and Management

There is a clear distinction between the roles and responsibilities of the Board, Chairman and Managing Director which are set out in the IPB Guidelines.

The Board retains full and effective control of the Company. Matters specifically referred to the Board for approval include, inter-alia reviewing and approving corporate proposals, plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions and changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

The Board delegates some of its function to the Committees of the Board which operate within clearly defined TORs with a view to assist in the fulfillment of its responsibilities. Chairmen of the various Committees report to the Board with recommendation on all matters considered at its meeting. In addition, minutes of each Board Committee meeting is circulated to all Board members in order to keep the Board abreast of the actions and decisions taken by each Board Committee.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Role and Responsibilities of the Board (cont'd)

Clear Functions of the Board and Management (cont'd)

The Board is responsible for the strategic direction of the Group. In this regard, the Board reviews corporate exercise proposals, long term forecast, business plan and annual budget submitted by management. The Board also reviews on quarterly basis detailed operational report on all aspects of plantation activities prepared by the General Manager and seeks explanations for material variances. Some of the Board's strategic priorities are set out in the Corporate Governance Report, a copy of which can be downloaded from IPB's website.

Day to day management responsibilities are delegated by the Board to the senior management through the Managing Director and balance of responsibilities between the Board and Managing Director will be reviewed on a regular basis so as to ensure that the division of functions remains appropriate to the needs of the Company.

Each member of the senior management is subject to an annual performance review which is conducted by the Managing Director.

Company Secretary

The Board is supported by two (2) qualified Company Secretaries of which one (1) is a member of professional body and one (1) is licensed by the Registrar, who both undertake the role jointly.

All Directors have access to the advice and services of the Company Secretaries, whose appointment and removal is a matter for the Board, to whom the Company Secretaries are directly accountable.

Supply and Access to Information and Advice

The Directors have access to all information within the Company, whether as a full board or in their individual capacity, to the extent that the information required is pertinent to the discharge of their duties as Directors.

For each Board and Committee meeting, the meeting papers are, to the extent feasible, provided/made available 5 working days prior to each meeting so that Directors have sufficient time to read and understand the information and obtain further information, clarification or explanation, where necessary. Time is allocated for Directors to raise other matters not covered by the formal agenda.

The Board has also put into place a procedure for Directors, whether as a full Board or in their individual capacity, to take independent professional advice at the Company's expense, if necessary. Details of procedures are disclosed in the IPB Corporate Governance Guidelines.

Management will make all information readily available to the professional advisers and must make themselves available to such advisers in order to facilitate the effective solution of the Directors' concerns. The findings of the advisers will need to be put before the Board for determination of any action that may be required by the Company.

Code of Ethics

The Board is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia. The Board is ultimately responsible for the implementation of this Code of Ethics.

The Board has delegated to the Nomination Committee the responsibility to administer this Code of Ethics. The procedures which are set out in the IPB Guidelines are disclosed in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Role and Responsibilities of the Board (cont'd)

Code of Ethics (cont'd)

IPB has a Code of Ethics to govern the employees. The provisions set out in the Code of Ethics ensure compliance with laws and regulations, sound employment practices, confidentiality and privacy. It also includes amongst others, provisions on conflicts of interest, bribery and the protection and proper use of IPB's assets and resources. To tackle new challenges, this Code of Ethics will be expanded to include anti-corruption and money laundering.

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy that outlines the principles under pinning the policy and grievance procedures. This policy aims to encourage the reporting of any misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group, in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

Details of whistle-blowing channel are available on the Company's website at www.innoprise.com.my.

II. Board Composition and Independence

IPB Board currently consists of seven (7) members and one (1) alternate director of which two (2) are Independent Non-Executive Directors, three (3) Non-Independent Directors, one (1) Executive Director and one (1) Managing Director. The Chairman is an Independent Non-Executive Director. Currently one of the Non-Independent Non-Executive Director is a lady who also serves on the Audit Committee. The Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") that requires a minimum of two (2) Directors or one-third of the Board, whichever is higher, to be independent directors.

The Board consists of a majority of Non-Executive Directors and the Independent Directors are able to exercise strong independent judgement and provide balance to the Board with their unbiased and independent views, advice and judgement in all Board deliberations. The composition of the Board continues to provide the Group with a wealth of knowledge and experience to draw from a comprehensive mix of skills which includes financial, technical, public relations, accountancy, legal and business expertise that is important for the continued successful direction of the Group.

The Board took cognisance of the Code and to be in line with Practice 4.1 of the Code, the Board plans to increase the number of independent directors on the Board so that in due course, the majority of the Board will be made up of Independent Directors.

Annual Assessment of Independent Directors

The Independent Non-Executive Directors play a crucial role in bringing objectivity to the decisions made by the Board. They provide independent judgement, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all stakeholders are taken into account and that the relevant issues are subjected to objective and impartial consideration by the Board.

All Independent Directors are required to assess their level of independence annually by completing the form of annual assessment of independence of independent directors for submission to the Nomination Committee for review and assessment. The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition and Independence (cont'd)

Annual Assessment of Independent Directors (cont'd)

For the financial year ended 31 December 2017, each of the two (2) Independent Non-Executive Directors had provided an annual confirmation of his/her independence to the Board based on its policy on criteria of assessing independence in line with the definition of "independence directors" prescribed by the Listing Requirements. The Nomination Committee and the Board had assessed the two (2) Independent Non-Executive Directors of the Company, namely Datuk Hj. Majin Hj. Ajing and Datuk Jaswant Singh Kler and were satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. Each Independent Director has retained their independence throughout the tenure and had not in any circumstances formed any association with management that might compromise their ability to exercise independent judgement.

Tenure of Independent Director

The Board believes that the interests of all stakeholders are best served if its composition includes a blend of experience and tenure among Directors.

Datuk Hj. Majin Hj. Ajing has had extensive public and private sectors experience at various senior positions including directorship in public listed company. Datuk Jaswant Singh Kler, an eminent planter, has made a significant contribution to the Board during his tenure as Independent Non-Executive Director.

The Board believes that their in-depth knowledge of the Group's businesses with extensive experience in plantation, cultivation and general management as well as stewardship of public listed company will continue to add value to the Board. The Board does not, therefore, believe that their length of services will materially interfere with their ability to exercise independent judgment or to act in the best interest of the Group.

Shareholders' Approval through Two-Tier Voting for Re-Appointment as Independent Non-Executive Director after a tenure of 12 years

At the preceding Annual General Meeting ("AGM") held on 23 May 2017, the shareholders had approved the retention of Datuk Hj. Majin Hj. Ajing as Independent Non-Executive Director.

The Company intends to seek shareholders' approval through two-tier voting as required by the Code at the forthcoming AGM to retain him as an Independent Non-Executive Director for the ensuing year.

Diversity

The Board acknowledges the importance of Board diversity, including gender, ethnicity, age and business experience, to the effective functioning of the Board. While it is important to promote such diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board should remain a priority so as not to compromise on effectiveness in carrying out the Board's functions and duties.

While the Board does not have a specific policy on setting targets for women candidates and ethnicity, the Board will as best as it can, ensure that its composition not only reflects the diversity as recommended by the Code but also has the right mix of skills and balance to contribute to the achievement of the Group's goals. The Board, through its Nomination Committee will evaluate and match the criteria of future potential nominees to the Board as well as considering the boardroom diversity.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition and Independence (cont'd)

Diversity (cont'd)

The Company practices equal employment opportunities to all qualified individuals to create a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job. The Company rewards and promotes employees based on assessment of individual performance, capability and potential. The Company is committed to providing opportunities that allow individuals to reach their full potential irrespective of individual background or difference.

Summary of the gender mix of our workforce is disclosed on page 22 of the Sustainability Report 2017.

Appointment of New Directors

A formal and transparent procedure has been established for the appointment of new Directors to the Board and the Nomination Committee is empowered to identify and recommend suitable Directors to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from:

(a) the Managing Director, other Directors or shareholders for executive position; and

(b) Non-Executive and/or Independent Directors or non major controlling shareholders for non-executive position.

A comprehensive and independent assessment of the candidate will be conducted by the Nomination Committee without any influence from the major controlling shareholders, Managing Director or Executive Directors.

In considering candidates as potential Directors, the Nomination Committee takes into account the following criteria:

- skills, knowledge, expertise and experience;
- character, integrity and professionalism;
- perceived ability to work cohesively with other members of the Board;
- number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;
- diversity in age, gender and experience/background; and
- such other relevant factors as may be determined by the Nomination Committee which would contribute to the Board's collective skills, whilst taking into account the current and future needs of the Company, boardroom diversity and other soft attributes required as Directors.

There is no change to the composition of the Board during the financial year.

In line with Practice 4.6 of the Code, TORs of the Nomination Committee have been revised in February 2018. Selection of candidates to be considered for appointment as Directors will be facilitated through recommendations from the Directors, shareholders, external parties including the Company's contacts in related industries as well as independent sources such as women directors' registry, finance, legal and accounting professions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Foster Commitment

Time Commitment

The Board has adopted a policy whereby all its Board members are required to notify the Chairman of the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

A schedule of Board and Board Committee meetings set for a whole financial year is prepared in advance and tabled to the Board for approval before the commencement of a new financial year to enable the Directors to plan ahead and allocate time in their respective schedules.

During the financial year, the Board met four (4) times, where at it deliberated and considered various matters including the Group's financial results, major investment and strategic decisions, business plan and direction of the Group. Details of attendance of each Board member are as follows:

Name	20/02/17	23/05/17	22/08/17	21/11/17	Total
Datuk Hj. Majin Hj. Ajing	✓	✓	✓	✓	4/4
Datuk (Dr.) Kelvin Tan Aik Pen	✓	✓	✓	✓	4/4
Datuk Sam Mannan @ Sham Mannan	-	✓	✓	✓	3/4
Datuk Jaswant Singh Kler	✓	✓	✓	✓	4/4
Datuk Hj. Othman Bin Walat	✓	✓	✓	✓	4/4
Puan Hajah Ainahwati Binti Abd Sani	-	✓	✓	✓	3/4
Lim Fook Hin	✓	✓	✓	✓	4/4

The Directors' commitment to carry out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 December 2017. In addition to the above, all Directors of the Company have complied with the Listing Requirements of not holding more than five (5) directorships in listed issuers at any given time.

Directors' Training

All Directors receive full and appropriate briefing on first appointment, with subsequent updating as necessary. They were also provided with a Directors' manual containing amongst others, the background information on IPB Group, IPB Corporate Governance Guidelines and other relevant policies for their reference.

All Directors had attended the Mandatory Accreditation Programme ("MAP"). The Board, through the Nomination Committee had undertaken an assessment of the training needs of each Director for the financial year under review and concluded that all Board members have vast experience and extensive knowledge in managing the core business of the Group. Nonetheless, the Directors are encouraged to attend various training programmes to ensure they keep abreast on various issues facing the changing business environment within which the Group operates to effectively discharge their duties as Directors.

Details of the training that the Directors have attended for the financial year ended under review are disclosed in the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

IV. Board Committees

Nomination Committee

The Board has established a Nomination Committee which currently comprises entirely Independent Non-Executive Director as follows:

- Datuk Hj. Majin Hj. Ajing
- Datuk Jaswant Singh Kler

The Chair of the Committee is held by the Non-Executive Chairman.

The Nomination Committee is responsible for reviewing the Board's succession plans, training for Directors and assessing the effectiveness of the Board and Board Committees. The last review of the TORs of the Committee was carried out in February 2018. Details of its TORs are available on IPB's website.

Annual Assessment

The Board has adopted a formal process to be carried out by the Nomination Committee for reviewing its own effectiveness and that of its individual Directors and Board Committees and assessing the independence of its Independent Directors. The process will also take into account the fulfillment of the respective TORs of the Boardand Board Committees.

Details of the evaluation process and criteria as well as summary of the activities undertaken by the Nomination Committee during 2017 are disclosed in the CG Report.

The Directors who are due for retirement and re-election pursuant to Article 90 of the Company's Constitution are Puan Hajah Ainahwati Binti Abdul Sani and Mr Lim Fook Hin.

Future priorities of the Nomination Committee include the following:

- reviewing the overall composition of the Board, in terms of the appropriate size, skills, experience and qualification, paying attention to the Board's gender diversity and number of Independent Directors.

- considering the engagement of external Board evaluation facilitator/consultant.

Remuneration Committee

The Board has established a Remuneration Committee and currently comprises two (2) Independent Non-Executive Directors and one (1) Executive Director as follows:

- Datuk Hj. Majin Hj. Ajing
- Datuk Jaswant Singh Kler
- Datuk (Dr.) Kelvin Tan Aik Pen

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of the Executive Directors and senior management staff at director level in all its forms, drawing from outside advice as necessary.

The Remuneration Committee assists the Board in developing a policy on remuneration of Directors to attract and retain Directors and ensure that rewards and remuneration packages are commensurate with each of their expected responsibilities and contribution to growth and profitability of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

IV. Board Committees (cont'd)

Remuneration Committee (cont'd)

The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. The Executive Directors play no part in deciding their own remuneration and the Directors concerned shall abstain from all discussion pertaining to their remuneration.

The level of remuneration for Non-Executive Directors reflects the experience and level of responsibilities. The Board as a whole determines the remuneration package of Non-Executive Directors. The annual Directors' fees payable to Non-Executive Directors are subject to shareholders' approval at the AGM based on the recommendation of the Board. Additional allowances are paid to certain Non-Executive Directors in accordance with the number of meetings attended during the financial year.

Details of the remuneration of the Directors of the Company for the financial year under review are disclosed in the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee currently comprises three (3) members, comprising two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Chairman of the Audit Committee is a Senior Independent Director, who is not the Chairman of the Board.

The Audit Committee is authorised by the Board to investigate any matter within its TORs and to have the resources in order to perform its duties and responsibilities as set out in its TORs. The last review of the TORs of the Audit Committee was carried out in February 2018. The revised TORs are made available on the Company's website at www.innoprise.com.my and its report is set out in the ensuing pages of this Annual Report.

The Company's financial statements for the year ended 31 December 2017 are prepared in accordance with the provisions of the Act and applicable financial reporting standards in Malaysia. The Board is responsible to ensure that the financial statements give a true and fair view and balanced and understandable assessment of the state of affairs of the Company and of the Group. The Statement of Directors' Responsibilities in respect of the preparation of the annual audited financial statements is set out in the ensuing pages of this Annual Report.

The Audit Committee assists the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems.

During the year under review, the Audit Committee reviewed the Company's quarterly results and annual financial statements prior to recommending them for the Board's approval and release to public through Bursa LINK.

Lim Fook Hin, the Executive Director who is also the CFO formally presented the Company's quarter-to-quarter and year-to-date financial performance against budget as well as performance of each business segment. He also provided assurance to the Audit Committee that adequate processes and controls were in place for an effective and efficient financial statement close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

In addition, the Internal Audit also undertook independent assessment of the system of internal control and assured the Audit Committee that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Assessment of Suitability and Independence of External Auditors

The Board through the Audit Committee maintains a formal and transparent relationship with the Company's external auditors. The external auditors are invited to attend the Audit Committee meetings and AGMs and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee undertakes annual independent assessment of the external auditors, details of which are disclosed in the CG Report. The Audit Committee continually reviews the nature and extent of non-audit services provided to the Group by the external auditors to ensure that external auditors' independence and objectivity are safeguarded. The external auditors would also provide written assurances to the Audit Committee on their independence.

Overall, the Audit Committee was satisfied with the suitability of Ernst & Young as external auditors of the Group based on the quality of audit services and sufficiency of resources they provided to the Group.

Risk Management and Internal Audit

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

The Board has established framework & policies to ensure that risk management and internal controls across the various risk classes are managed within risk appetite set by the Board. To ensure their continuous effectiveness, the framework and policies are reviewed periodically, and when there are significant regulatory changes.

The Company has put in place a comprehensive system of internal control which is embodied within the Standard Operating Procedures covering financial controls, operational and compliance controls and risk management. Some of the systems have been in place over the years and will continue to be reviewed, added on or updated in line with the changes in the operating environment. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by the internal and external auditors. Information on the Group's internal control and risk management are presented in the Statement on Risk Management and Internal Control.

In addition to routine business, the Audit Committee through the internal audit function actively reviews:

- whether the systems in place are being followed;
- whether any impairment is necessary;
- risk register at every meeting as on-going process for risk identification and assessment on Group's operation; and
- audit findings are discussed with management for execution and implementation.

The Company has established an internal audit function which reports directly to the Audit Committee. The internal audit department communicates regularly with the members of the Audit Committee and the Internal Audit is invited to attend meetings of the Audit Committee. Internal audit activities, all of which are risk-based, are performed by a team of appropriate, qualified and experienced employees. Further information on internal audit function is set out in the Audit Committee Report of this Annual Report and CG Report.

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

Stakeholder Engagement

IPB Group is committed to engaging all stakeholders in a timely, effective and transparent manner. The Group has established a comprehensive website at www.innoprise.com.my, which includes a dedicated section on Investor Relations, to support its communication with the investment community. Investor queries maybe directed to our Executive Director, Lim Fook Hin at limfookhin@tsh.com.my. Stakeholders who wish to reach the respective divisions of the Group can do so through the 'Contact Us'.

The stakeholder groups whose activities could have significant impact on our business are carefully identified and are engaged at various platforms and intervals throughout the year. A variety of engagement initiatives including direct meetings and dialogues with community are constantly conducted. We also actively seek solutions to grievances and disputes through negotiations and other due processes. Our Sustainability Team has a dedicated section to address any enquiries or grievances relating to sustainability issues. Details on the stakeholders engagement can be found on our Sustainability Report of year 2017.

Corporate Disclosure Policy

The Company's Corporate Disclosure Policy is designed to ensure the timely release of material price-sensitive information to the market. This policy establishes procedures to ensure that Directors and employees are aware of the Company's disclosure obligations and procedures, and have accountability for the Company's compliance with those obligations.

The Company has also put in place the precautions to be observed in order to keep the information completely confidential. The Board is mindful that information which is expected to be material must be announced immediately.

Leverage on Information Technology

The Company maintains a website at www.innoprise.com.my for shareholders and the public to access information on amongst others, the Company's background, business activities and products, annual reports, corporate responsibility, shareholders' rights, updates on its various news and events and financial performance. In addition, the Board has also established a dedicated section for corporate governance on the Company's website where information on the Board Charter, shareholders' rights, code of ethics and conducts and whistle blowing may be accessed.

The Board also encourages other channel of communication with shareholders. For this purpose, shareholders and other stakeholders may convey their concerns relating to the Company to the Senior Independent Director, Datuk Jaswant Singh Kler. At all times, shareholders may contact the Company Secretary for information on the Company.

Encourage Shareholder Participation at General Meetings

The AGM is the principal forum for dialogue with shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of the Group. Hence, the Chairman and the Board encourage shareholders to attend and participate in the AGM and any general meetings of the shareholders. Barring any unforeseen circumstances, all Directors have always used their best endeavours to attend general meetings. The Chairman of the Audit, Nomination and Remuneration Committees was also available to provide meaningful response to any question raised by shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Encourage Shareholder Participation at General Meetings (cont'd)

In line with Practice 12.1 of the Code, Notice for the forthcoming AGM and a copy of the Company's annual report are sent out to shareholders at least 28 days before the meeting. The shareholders are given the opportunity to seek clarification on the Company's financial statements and other items for adoption at the meeting before putting a resolution to vote. It has always been the practice for the Chairman to provide ample time for the Q&A sessions in the AGMs and for suggestions and comments by shareholders to be noted by management for consideration. Members of the Board as well as the external auditors and representatives from the share registrars of the Company are present to answer questions raised at the meeting.

ADDITIONAL COMPLIANCE INFORMATION

1. Audit and Non-Audit Fees

Fees Paid	Group RM	Company RM
Audit	107,000	60,000
Non-audit	20,500	9,500

2. Material Contracts

During the financial year under review, save as disclosed in the sections under Recurrent Related Party Transactions set out in the ensuing pages of this Annual Report, there were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests which were still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

3. Employee Share Scheme

The Company currently has one (1) Executives' Share Option Scheme ("ESOS") in existence and only directors and executive employees of the Innoprise Group are eligible to participate in the Scheme. The ESOS will be expiring on 25 May 2020. The details of ESOS are as follows:-

Total ESOS outstanding as at 1 January 2017	Total number of ESOS granted during the year	Total number of ESOS exercised/lapsed* during the financial year	Total ESOS outstanding as at 31 December 2017
2,442,000	-	(1,199,000)	1,243,000

* 434,300 Lapsed due to resignation.

Aggregate ESOS granted to directors	Aggregate ESOS exercised by directors/lapsed	Sub-division	Aggregate ESOS outstanding as at 31 December 2017
3,200,000	(2,975,000)	225,000	450,000

* 800,000 Lapsed due to resignation.

		Actual percentage granted (%)	
	Aggregate maximum allocation (%)	Since Commencement of the Scheme	During the financial year
Directors and Senior Management	40	13.39	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

4. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the last AGM of the Company held on 23 May 2017, the Company had obtained a mandate from its shareholders ("Shareholders Mandate") to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature ("Recurrent Transactions"). In accordance with Paragraph 10.09(2)(b) of the Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 December 2017 pursuant to the Shareholders' Mandate are as follows:

Name of Companies	Related parties	Class of related party	Nature of Recurrent Transactions	Aggregate value of transactions made during the financial year (RM)
Serijaya Industri Sdn. Bhd. (Seller)	TSH Plantation Management Sdn. Bhd. ("TSHPM") (Buyer)	TSHPM is 24% owned by TSH Resources Berhad ("TSHR") and 76% owned by TSH Plantation Sdn. Bhd. ("TSHP") which in turn is a wholly-owned subsidiary of TSHR, a major shareholder of the Company.	Sale of oil palm fresh fruit bunches.	921,902
Serijaya Industri Sdn. Bhd. (Seller)	TSHPM (Buyer)	Same as disclosed above.	Sale of Empty Fruit Bunches, Fibre and Shell.	Nil
Serijaya Industri Sdn. Bhd. (Seller)	Benta Wawasan Sdn. Bhd. ("BWSB") (Buyer)	BWSB is a wholly owned subsidiary of ICSB, a major shareholder of the Company.	Sale of oil palm fresh fruit bunches.	Nil
Serijaya Industri Sdn. Bhd. (Buyer)	BWSB (Seller)	BWSB is a wholly owned subsidiary of ICSB, a major shareholder of the Company.	Purchase of oil palm fresh fruit bunches.	Nil
Serijaya Industri Sdn. Bhd. (Seller)	TSH Plantation Sdn. Bhd. ("TSHP") (Buyer)	TSHP is a wholly owned subsidiary of TSHR, a major shareholder of the Company.	Sale of oil palm fresh fruit bunches.	Nil
Serijaya Industri Sdn. Bhd. (Seller)	TSH-Wilmar Sdn. Bhd. ("TSHW") (Buyer)	TSHW is 50% owned by TSHR, a major shareholder of the Company.	Sale of crude palm oil.	120,924,516
Serijaya Industri Sdn. Bhd. (Seller)	TSHW (Buyer)	Same as disclosed above.	Sale of palm kernel.	16,364,335
Serijaya Industri Sdn. Bhd. (Seller)	RT Plantations Sdn Bhd ("RTPSB") [formerly known as Rinukut Plantations Sdn. Bhd. ("RPSB")] (Buyer)	RPSB is 60% owned by Rinukut Sdn. Bhd. ("RSB") and 40% owned by RBJ. RSB is 70% owned by TSH Ventures Sdn. Bhd. which is in turn 99.99% owned by Datuk (Dr.) Kelvin Tan Aik Pen, a director and a substantial shareholder of TSHR, a major shareholder of the Company.	Sale of seedlings.	Nil

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide the following Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Market Listing Requirements").

Set out below is the Board's Statement on Risk Management and Internal Control which outlines the nature and scope on risk management and internal control of the Group during the year.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility to ensure that the Group has a sound system of internal control and risk management practices for good corporate governance as well as periodically reviewing its adequacy and integrity to safeguard shareholders' investments, customers' interests and Group assets. A good control system will assist the Company to achieve its corporate objectives. As there are limitations inherent in any system of internal control, the Group's internal control is designed to manage, rather than eliminate the risk of failure to achieve the business objectives. The system can only be relied on to provide reasonable but not absolute assurance against material misstatement of financial information and against any mismanagement or fraud resulting financial losses. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

CONTROL ENVIRONMENT AND ACTIVITIES

1. Risk Management Framework

The Board recognises risk management as an integral part of business operation. It is vital to have risk management and control system in place which will identify and analyse the significant risks of the Group. Appropriate controls can then be implemented to analyse and mitigate such risks or other risk facing the Group.

The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by the Group, and the same has been in place for the financial year under review and up to the date of this Annual Report and financial statements.

Consequently, the Group has also undertaken the following to enhance its risk management practices:

(a) Set up a Risk Management Committee which evaluates business risk profile and formulates action plans.

(b) Formalisation of the Group's risk management policy and procedures and adopted a structured approach towards identifying, measuring and managing significant risks faced by the Group.

(c) Each operating business unit within the Group will evaluate the risks facing them. Specifically, to adopt a risk management process that identifies key risks of each operating unit, assessing the likelihood and impact of material exposures and puts in place adequate controls to mitigate the risks identified.

(d) Regular monitoring reports will be given by operating units to Risk Management Committee who will review and submit recommendations to the Board for action to ensure adequacy of the system of control.

(e) Standard operating procedures that cover key aspects of the Group's various processes are formalised. These procedures are subjected to review on periodic basis to cater for process changes and changing risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTROL ENVIRONMENT AND ACTIVITIES (CONT'D)

2. Board Meeting

The Board meets at least quarterly and has formal agenda on matters for discussion. The Managing Director leads the presentation of board papers and provides explanations on pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.

3. Performance Management Framework

Management reports are generated on a regular and consistent basis to facilitate the Board and the Group's Management in performing financial and operating reviews on the various operating units. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

The Group has in place a well-defined budgeting process that provides a responsible accounting framework.

4. Operational Policies and Procedures

Documented policies and procedures from an integral part of the internal control systems to safeguard shareholders' investment and the Group's assets against material losses and ensure complete and accurate financial information. The documents consist of circulars, the Standard Operating Procedures that are continuously being revised and updated to meet operational needs.

5. Internal Control System

The Audit Committee was established to review and monitor the effectiveness of the entire Group's system of internal control. The Audit Committee reviews and approves the Annual Internal Audit Plan which outlines the scope of audit activities on the area of concerns. The Audit Committee reports to the Board on the findings and makes recommendations on possible action plans to improve and tighten the internal controls of the Group. The necessary measures are taken to strengthen the control environment after evaluating the changes of the external and internal environment. There were no material losses incurred during the financial year under review as a result of any weakness in the internal control.

A Group Internal Audit function is established to assist in providing assurance on the effectiveness of the internal control system within the Group. Internal auditors conduct regular visits to the operating units to provide independent assessment on the adequacy, efficiency and effectiveness of the internal control. The internal audit report prepared will include suggestions and recommendation on improving the internal control system. The findings and recommendation are discussed with Management and Audit Committee for remedial actions.

The internal audit function adopts a risk-based approach and prepares its audit plan based on the risk profiles of the key business units of the Group after taking into consideration input of Senior Management and the Audit Committee. The Internal audit department also conducts subsequent followup review to ensure Management has dealt with audit recommendations and taken appropriate actions satisfactorily.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTROL ENVIRONMENT AND ACTIVITIES (CONT'D)

6. Other Key Elements of Internal Control

Apart from the above, the other key elements of the Group's system of internal control include the following:

- Organisational structure with defined reporting line;
- Formally defined lines of Authority Limits in management and organisation structure;
- Documented Tender and Purchasing Procedures;
- Guidelines for General Terms and Conditions of Services for employees;
- Annual Budget and results are compared, monitored and reviewed;
- Meetings to discuss/deliberate on findings and recommendation for improvement; and
- Strategic planning on business operation.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedure on the Statement pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to report on the Statement included in the Annual Report issued by the Malaysia Institute of Accountants ("MIA") for inclusion on the Annual Report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that causes them to believe the Statement intended to be included in the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

CONCLUSION

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system through the above activities and is not aware of any significant weaknesses or deficiencies in the Group's risk management and internal control practices for the year under review and to the date of this report. The Board has also obtained assurance from the Executive Director and the Head of Finance that the risk management and internal control system is in place and operating effectively. This statement has been reviewed and approved by the Board of Directors on 13 April 2018.

AUDIT COMMITTEE REPORT

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 31 December 2017.

AUDIT COMMITTEE COMPOSITION AND MEETINGS

The Audit Committee is made up of the following members:

Datuk Jaswant Singh Kler – Chairman, Independent Non-Executive Director
Datuk Hj. Majin Hj. Ajing – Member, Independent Non-Executive Director
Puan Hajah Ainahwati Binti Abd Sani – Member, Non-Independent Non-Executive Director

As at the date of this report, the Audit Committee comprises three (3) members, comprising of two (2) Independent Non-Executive Directors and one of the Non-Independent Non-Executive Director, Puan Hajah Ainahwati Binti Abd Sani is a member of Malaysian Institute of Accountants and satisfies the requirements of Paragraph 15.09(1)(c)(i) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR").

The Audit Committee met five (5) times during the year to discharge its duties and responsibilities. Attendance of members of the Audit Committee during 2017 is shown in the table below.

Name	20/02/17	11/04/17	23/05/17	22/08/17	21/11/17	Total
Datuk Jaswant Singh Kler	✓	✓	✓	✓	✓	5/5
Datuk Hj. Majin Hj. Ajing	✓	✓	✓	✓	✓	5/5
Puan Hajah Ainahwati Binti Abd Sani	-	✓	✓	✓	✓	4/5

During the financial year, the Audit Committee had engaged on a continuous basis with senior management, Internal Auditor and the external auditors in order to keep abreast of matters and issues affecting the Group. The Audit Committee Chairman will report to the Board matters of significant concern as and when raised by the internal and external auditors and present the Audit Committee's recommendations to the Board for approval. The Company Secretary acts as the secretary to the Audit Committee. Minutes of meeting are distributed electronically to each Board member.

TERMS OF REFERENCE

The Audit Committee is responsible amongst others, to review and monitor the system of internal control and audit process and to ensure that the Company's financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.

The Audit Committee is governed by its terms of reference which will be periodically reviewed and updated. In line with the release of Malaysian Code on Corporate Governance 2017, the Audit Committee has revised its Terms of Reference on 22 February 2018 to include a cooling-off period of two years for former key audit partners before being appointed as a member of the Audit Committee. The revised terms of reference is made available on the Company's website at www.innorprise.com.my.

AUDIT COMMITTEE REPORT

REVIEW OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors through its Nomination Committee for the financial year ended 31 December 2017. The Audit Committee was assessed based on the following six key areas and the Board was satisfied that the Audit Committee had carried out its duties and functions in accordance with its terms of reference.

(i) Composition and quality
(ii) Process and procedures
(iii) Communications and information
(iv) Oversight of the financial reporting process including internal controls
(v) Oversight audit functions
(vi) Financial literary

TRAINING

During the year, all members of the Audit Committee attended the following briefing, forum, summit, conference and seminar either individually or collectively:

- Challenge and Anticipation of Oil Palm Industry
- Towards Boardroom Excellence
- Corporate Governance & Role of Director
- Improving Annual Report Disclosure Standards - What's Next
- National Seminar 2017 (Natsem 2017)
- Is Diversity Required in the Boardroom
- Understanding the Changes Made To The Companies Act 2016
- Leaders Conference 2017
- Governance Culture In Your Organisation
- Companies Act 2016 - Key Insights and Implication For Directors, Auditors/Accountants & Company Secretary
- Understanding the Changes Made To The Companies Act 2016

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee discharged its functions and carried out its duties as set out in its terms of reference. Summary of work undertaken by the Audit Committee during the financial year encompassed the following:

1. Financial Reporting and Compliance

The Audit Committee reviewed the unaudited quarterly financial statements and annual audited consolidated financial statements to ensure compliance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the requirements of the Companies Act 2016 and Paragraph 9.22, including Appendix 9B of the Listing Requirements, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and significant adjustments resulting from the audit.

The Audit Committee's recommendations were presented at the respective Board meetings held subsequently for approval.

SUMMARY OF ACTIVITIES (CONT'D)

1. Financial Reporting and Compliance (cont'd)

To safeguard the integrity of financial statements of IPB, the Executive Director had given assurance to the Audit Committee that:

(a) adequate processes and controls were in place for an effective and efficient financial statement close process;

(b) appropriate accounting policies had been adopted and applied consistently;

(c) the relevant financial statements gave a true and fair view of the state of affairs of the IPB Group;

(d) the going concern basis applied in the annual financial statements and condensed consolidated financial statements was appropriate; and

(e) prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs and Listing Requirements.

During the year, the Audit Committee reviewed and discussed with the external auditors the new financial reporting standards ("FRSs") and amendments to the FRSs, details are reflected in the financial statements of this Annual Report. The adoption of these new FRSs is not expected to have a material impact on the financial statements of the Group and the Company.

2. External Audit

At the Annual General Meeting held on 23 May 2017, the shareholders had approved the re-appointment of Messrs Ernst & Young as auditors of the Company.

During the year under review, the Audit Committee had two meetings and two private sessions with Messrs Ernst & Young. The private sessions were held without the presence of the Executive Directors, management or internal auditors. The Audit Committee reviewed with Messrs Ernst & Young on matters relating to the audit of the statutory accounts, audit report and recommendations made by them in their management letter and the adequacy of management's responses thereto. The Audit Committee also reviewed the non-audit services provided by Messrs Ernst & Young and the aggregate amount of fees paid to them taking into consideration the process and requirements including fee threshold established under the policy and was satisfied that they were not likely to create any conflicts of interest nor impair the independence and objectivity of the external auditors. As acknowledged by the external auditors, the Audit Committee was satisfied with the cooperation extended by management during the course of audit.

In the private sessions held with Messrs Ernst & Young, the Audit Committee discussed the audit findings and other observations the external auditors may have during their audit process. There were no major concerns raised by the external auditors at the meetings.

In November 2017, the Audit Committee reviewed the 2017 audit planning memorandum prepared by Messrs Ernst & Young outlining their scope of work, approach which includes the procedures to be performed by the external auditors during their annual visits to the Group's estates and mills, deliverables and proposed fees for the statutory audit and non-statutory audit. The Audit Committee had also reviewed and discussed the key audit matters, details are reflected in the financial statements of this Annual Report.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES (CONT'D)

2. External Audit (cont'd)

The external auditors had provided written confirmations of their independence to the Audit Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

In April 2018, the Audit Committee evaluated the performance of the external auditors based on four (4) key areas, namely quality of service, sufficiency of resources, communication with management and independence, objectivity and professionalism. The Audit Committee assessed the performance of the lead engagement partner and the engagement team based on the private sessions held between the Audit Committee and the external auditors. The Audit Committee had also invited management to join the assessment as they had substantial contact with the external audit team throughout the year. Being satisfied with the external auditors' performance, technical competency, audit independence, adequacy of experience and resources of the firm as well as active engagement during the audit process, the Audit Committee recommended to the Board for approval of the re-appointment of Messrs Ernst & Young as external auditors of the Company for the financial year ending 31 December 2018.

3. Internal Audit

The Audit Committee reviewed and approved the annual audit plan for 2018 having regard to the adequacy of scope and coverage of the activities of the Group. The internal audit team conducted the audit activities based on the audit plan approved by the Audit Committee.

The Internal Auditor attended the Audit Committee meetings and presented on inter-alia, summaries of the audit reports issued, audit recommendations provided by the internal auditors and management's response thereto and corrective actions taken by management on audit issues raised by the internal auditors.

The Audit Committee also reviewed the performance appraisal of the internal audit members and was generally satisfied with the performance of the internal audit function.

4. Recurrent Related Party Transactions

All recurrent related party transactions entered into by the Group were reviewed by the Audit Committee to ensure that they were conducted on an arm's length commercial term and rate. Reporting system and procedures were also reviewed to ascertain that the established guidelines and procedures have been complied with.

5. Other Matters

The Audit Committee reviewed and evaluated the questionnaires completed by the Executive Director on information relating to risk and control environment of the Group. With the assistance of the internal audit department which reports directly to the Audit Committee, the Audit Committee completed its review of the adequacy and effectiveness of the Group's systems of internal control and reported its findings and recommendations to the Board. The Audit Committee was satisfied that controls in place are adequate and functioning properly to address the risks. The Audit Committee was also satisfied with the assurance provided by the Internal Auditor that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

The Audit Committee also reviewed the final dividend proposed by management to ensure consistency with the Company's long term dividend payout policy, taking into account the Company's profits, cash flow and capital investment requirements before recommending the same to the Board for approval.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES (CONT'D)

5. Other Matters (cont'd)

The Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion in this Annual Report were reviewed by the Audit Committee prior to Board's approval.

INTERNAL AUDIT FUNCTION

The Company established an Internal Audit Department which reports directly to the Audit Committee on a quarterly basis. The Internal Audit Department assists the Audit Committee in the discharge of its duties and responsibilities. Its key role is to provide independent and objective assurance designed to add value and assist the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal audit activities, all of which are risk-based were established after taken into consideration of the key business units of the Group and input from senior management and the Audit Committee members.

Every quarter, the Internal Audit Department submits a report on their audit findings and recommendations to the Audit Committee for its review and deliberation. The Internal Auditor attends these meetings to present the internal audit findings and makes appropriate recommendations on areas of concern within the Company and the Group.

For the year under review, the activities undertaken by internal audit are as follows:

1. Developed an annual audit plan using a risk-based approach, taking into consideration of the key business units of the Group and input from senior management and the Audit Committee members.

2. Provided independent assessment and objective assurance over the adequacy and effectiveness of risk management and internal control processes via structured reviews of units and operations identified in the annual audit plan.

3. Provided independent and objective reviews of the adequacy and relevance of internal controls enforced to mitigate the risk exposures.

4. Ascertained the level of compliance with established policies and procedures of the Company.

5. Recommended improvements and enhancements to the existing system of internal controls and work procedures/processes.

In addition, the Internal Audit Team of the Company's holding company undertook an internal audit of the main operating subsidiary of the Company. The audit report and management's response were tabled and discussed at Annual Committee Meeting.

The total cost incurred in managing the Internal Audit Department in 2017 was about RM94,320.

STATEMENT BY AUDIT COMMITTEE ON THE COMPANY'S ESOS

The Audit Committee has reviewed and is of the view that the criteria for allocation of the Company's ESOS for the financial year under review:

(a) has been made known to all eligible employees; and

(b) the allocation of the options is made in compliance as set out in the By-Laws of the Company's ESOS.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In Respect Of The Audited Financial Statements

The Board of Directors is required under Paragraph 15.26 (a) of the Listing Requirements of Bursa Securities to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by the Companies Act, 1965 ("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 at the end of the financial year and the results and cash flow of the Group and of the Company for that financial year.

The Directors consider that, in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2017 set out on pages 57 to 123 of this Annual Report, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and its subsidiaries keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provision of the Act.

The Directors are also responsible for the assets of the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board has also ensured that the quarterly and annual financial statements of the Group and of the Company are released to the Bursa Malaysia in a timely manner in order to keep our investing public informed of the Group's latest development.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are stated in Note 16 to the financial statements. Other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

RESULTS

	Group RM	Company RM
Profit net of tax	42,697,077	21,784,976

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

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2016 were as follows:

	RM
In respect of the financial year ended 31 December 2016 as reported in the directors' report of that year:	
First and final single-tier dividend of RM0.02 per share on 478,857,950 ordinary shares, declared on 23 May 2017 and paid on 16 June 2017	9,577,159
In respect of the financial year ended 31 December 2017:	
Interim single-tier dividend of RM0.02 per share on 478,857,950 ordinary shares, declared on 22 August 2017 and paid on 26 October 2017	9,577,159
	19,154,318

DIRECTORS' REPORT

DIVIDENDS (CONT'D)

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2017, of RM0.03 per share on ordinary shares, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

DIRECTORS

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

Datuk Hj. Majin Hj. Ajing*
Datuk (Dr.) Kelvin Tan Aik Pen*
Datuk Sam Mannan @ Sham Mannan*
Datuk Jaswant Singh Kler
Puan Hajah Ainahwati Binti Abd Sani
Datuk Hj. Othman Bin Walat*
Lim Fook Hin*

ALTERNATE DIRECTOR

Tan Aik Kiong** (Alternate to Datuk (Dr.) Kelvin Tan Aik Pen)

* These directors are also directors of the Company's subsidiaries.
** This alternate director is also alternate director of the Company's subsidiary.

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

Saharuddin Bin Salleh
Gregory Mosigil (Resigned on 1.1.2017)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the employer share option plan of the Company.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 30 to the financial statements.

DIRECTORS' REPORT

DIRECTORS' INTEREST

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

	Number of ordinary shares			
	1.1.2017	Acquired	Sold	31.12.2017
Direct interest:				
Datuk Hj. Majin Hj. Ajing	75,000	-	-	75,000
Datuk (Dr.) Kelvin Tan Aik Pen	3,175,000	-	-	3,175,000
Datuk Hj. Othman Bin Walat	434,750	-	-	434,750
Lim Fook Hin	2,175,000	-	-	2,175,000
Tan Aik Kiong (Alternate director to Datuk (Dr.) Kelvin Tan Aik Pen)	750,000	-	-	750,000

	Number of options over ordinary shares				
	1.1.2017	Granted	Exercised	Lapsed	31.12.2017
Datuk Jaswant Singh Kler	450,000	-	-	-	450,000

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM239,046,625 to RM239,675,958 by way of the issuance of 764,700 ordinary shares for cash pursuant to the Company's Employee Share Option Scheme at an average issue price of RM0.61 per ordinary share.

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

EMPLOYEE SHARE OPTION SCHEME

At an Extraordinary General Meeting held on 30 October 2009, shareholders approved the Executive' Share Option Scheme ("ESOS") for the granting of up to five percent (5%) of the issued and paid up share capital, to eligible senior executives.

The salient features and other terms of the ESOS are disclosed in Note 27 to the financial statements.

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) At the date of this report, there does not exist:

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

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

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 9 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

Datuk (Dr.) Kelvin Tan Aik Pen **Lim Fook Hin**

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, **Datuk (Dr.) Kelvin Tan Aik Pen** and **Lim Fook Hin**, being two of the directors of **Innoprise Plantations Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 57 to 123 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2018.

Datuk (Dr.) Kelvin Tan Aik Pen **Lim Fook Hin**

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **Lim Fook Hin,** being the director primarily responsible for the financial management of **Innoprise Plantations Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 57 to 123 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Lim Fook Hin** at
Kuala Lumpur in the Federal Territory
on 13 April 2018 **Lim Fook Hin**

Before me,

INDEPENDENT AUDITORS' REPORT

To The Members Of Innoprise Plantations Berhad (Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Innoprise Plantations Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 123.

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 cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Biological assets – capitalisation of costs

Refer to Note 2.7 and Note 15 to the financial statements.

During the current financial year ended 31 December 2017, the Group capitalised a total of pre-cropping expenditure of RM11.3 million as part of its biological assets. Due to the significance of the expenditure incurred, we consider this to be an area requiring audit focus. Specifically, we focused our audit efforts to determine whether the capitalisation of pre-cropping expenditure was made in accordance with the Group's policy and whether any expenditure incurred ought to be expensed to the profit or loss.

Our audit procedures to address this area of focus included amongst others:

(a) testing the effectiveness of the internal controls at estate level in respect of recording and categorization of pre-cropping expenditure. We inspected documents to support the expenditure incurred such as land clearing, seedling, labour and manuring costs;

(b) testing the allocation of expenditure by fields categorised by matured and immature fields; and

(c) testing whether the expenditure incurred on matured fields were appropriately expensed to the profit or loss.

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 Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

INDEPENDENT AUDITORS' REPORT

To The Members Of Innoprise Plantations Berhad (Incorporated In Malaysia)

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.

INDEPENDENT AUDITORS' REPORT

To The Members Of Innoprise Plantations Berhad (Incorporated In Malaysia)

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

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

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

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

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

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

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Kwan Bitt Jing @ Winnie Kwan
3257/05/18(J)
Chartered Accountant

Kota Kinabalu, Malaysia
13 April 2018

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Revenue	4	138,210,753	136,349,023	22,309,000	396,000
Cost of sales	5	(64,973,966)	(75,528,590)	(147,403)	(154,463)
Gross profit		73,236,787	60,820,433	22,161,597	241,537
Other items of income					
Interest income	6	245,242	95,746	18,409	-
Other income	7	727,193	552,633	128,268	69,251
Other items of expense					
Selling expenses		(12,268,493)	(10,485,529)	-	-
Administrative expenses		(3,676,272)	(3,307,861)	(488,420)	(472,391)
Other expenses		(546,857)	(2,393,043)	-	-
Finance costs	8	(2,266,436)	(3,895,434)	-	-
Profit/(loss) before tax	9	55,451,164	41,386,945	21,819,854	(161,603)
Income tax expense	12	(12,754,087)	(10,028,469)	(34,878)	-
Profit/(loss) net of tax		42,697,077	31,358,476	21,784,976	(161,603)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		42,697,077	31,358,476	21,784,976	(161,603)
Earnings per share attributable to owners of the Company (sen):					
Basic	13	8.92	6.71		
Diluted	13	8.91	6.70		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
Assets					
Non-current assets					
Property, plant and equipment	14	165,446,772	157,540,034	59,963	79,306
Biological assets	15	236,429,881	225,104,560	-	-
Investments in subsidiaries	16	-	-	245,849,821	245,818,273
Other receivables	19	5,598,322	5,055,404	-	-
		407,474,975	387,699,998	245,909,784	245,897,579
Current assets					
Inventories	17	9,402,895	7,720,093	-	-
Trade and other receivables	19	5,074,692	9,141,535	3,827,463	682,867
Income tax refundable		137,000	408,441	-	-
Cash and bank balances	20	12,202,213	14,281,631	158,591	194,146
		26,816,800	31,551,700	3,986,054	877,013
Total assets		434,291,775	419,251,698	249,895,838	246,774,592
Equity and liabilities					
Current liabilities					
Loans and borrowings	21	22,760,990	17,975,264	-	-
Trade and other payables	22	12,919,987	15,752,307	139,981	197,457
Derivatives	18	-	904,668	-	-
Income tax payable		35,856	-	34,878	-
		35,716,833	34,632,239	174,859	197,457
Net current (liabilities)/assets		(8,900,033)	(3,080,539)	3,811,195	679,556
Non-current liabilities					
Deferred tax liabilities	23	44,617,373	31,955,404	-	-
Loans and borrowings	21	13,099,773	35,862,204	-	-
		57,717,146	67,817,608	-	-
Total liabilities		93,433,979	102,449,847	174,859	197,457
Net assets		340,857,796	316,801,851	249,720,979	246,577,135
Equity attributable to owners of the Company					
Share capital	24	239,675,958	239,046,625	239,675,958	239,046,625
Share premium	24	-	-	-	-
Other reserve	25	382,384	1,034,263	382,384	1,034,263
Retained earnings	26	100,799,454	76,720,963	9,662,637	6,496,247
Total equity		340,857,796	316,801,851	249,720,979	246,577,135
Total equity and liabilities		434,291,775	419,251,698	249,895,838	246,774,592

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

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2017

	Share capital RM	Share premium RM	Other reserve RM	Retained earnings RM	Total equity RM
Group					
At 1 January 2017	239,046,625	-	1,034,263	76,720,963	316,801,851
Profit net of tax	-	-	-	42,697,077	42,697,077
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	42,697,077	42,697,077
Transactions with owners					
Share options granted under ESOS:					
Recognised in profit or loss	-	-	17,903	-	17,903
Included in investment in subsidiary	-	-	31,548	-	31,548
Exercise of employee share options	629,333	-	(165,598)	-	463,735
Lapse of employee share options	-	-	(535,732)	535,732	-
Dividends on ordinary shares	-	-	-	(19,154,318)	(19,154,318)
Total transactions with owners	629,333	-	(651,879)	(18,618,586)	(18,641,132)
At 31 December 2017	239,675,958	-	382,384	100,799,454	340,857,796
At 1 January 2016	191,237,300	1,097,552	908,505	56,216,231	249,459,588
Profit net of tax	-	-	-	31,358,476	31,358,476
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	31,358,476	31,358,476
Transactions with owners	-	-	24,963	-	24,963
Share options granted under ESOS:	-	-	100,795	-	100,795
Recognised in profit or loss					
Included in investment in subsidiary					
Issue of rights shares	47,809,325	(1,097,552)	-	(10,376,686)	36,335,087
Share issuance expenses	-	-	-	(477,058)	(477,058)
Total transactions with owners	47,809,325	(1,097,552)	125,758	(10,853,744)	35,983,787
At 31 December 2016	239,046,625	-	1,034,263	76,720,963	316,801,851

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2017

	Share capital RM	Share premium RM	Other reserve RM	Retained earnings RM	Total equity RM
Company					
At 1 January 2017	239,046,625	-	1,034,263	6,496,247	246,577,135
Profit net of tax	-	-	-	21,784,976	21,784,976
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	21,784,976	21,784,976
Transactions with owners					
Share options granted under ESOS:					
Recognised in profit or loss	-	-	17,903	-	17,903
Included in investment in subsidiary	-	-	31,548	-	31,548
Exercise of employee share options	629,333	-	(165,598)	-	463,735
Lapse of employee share options	-	-	(535,732)	535,732	-
Dividends on ordinary shares	-	-	-	(19,154,318)	(19,154,318)
Total transactions with owners	629,333	-	(651,879)	(18,618,586)	(18,641,132)
At 31 December 2017	239,675,958	-	382,384	9,662,637	249,720,979
At 1 January 2016	191,237,300	1,097,552	908,505	17,511,594	210,754,951
Loss net of tax	-	-	-	(161,603)	(161,603)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(161,603)	(161,603)
Transactions with owners					
Share options granted under ESOS:					
Recognised in profit or loss	-	-	24,963	-	24,963
Included in investment in subsidiary	-	-	100,795	-	100,795
Issue of rights shares	47,809,325	(1,097,552)	-	(10,376,686)	36,335,087
Share issuance expenses	-	-	-	(477,058)	(477,058)
Total transactions with owners	47,809,325	(1,097,552)	125,758	(10,853,744)	35,983,787
At 31 December 2016	239,046,625	-	1,034,263	6,496,247	246,577,135

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

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Operating activities				
Profit/(loss) before tax	55,451,164	41,386,945	21,819,854	(161,603)
Adjustments for:				
Depreciation of property, plant and equipment	8,235,115	8,453,765	19,342	19,651
Gain on disposal of plant and equipment	(17,299)	(11,023)	(5,999)	-
Dividend income	-	(64,823)	-	(64,823)
Impairement loss on other receivables	26,464	-	-	-
Inventories written down	-	655,451	-	-
Inventories written off	-	60,446	-	-
Interest income	(245,242)	(95,746)	(18,409)	-
Finance costs	2,266,436	3,895,434	-	-
Property, plant and equipment written off	30,544	108,623	-	-
Share options granted under ESOS	17,903	24,963	17,903	24,963
Net fair value gain on investment securities	-	(4,428)	-	(4,428)
Unrealised loss on commodity future contracts	-	904,668	-	-
Reversal of unrealised loss on commodity future contracts	(904,668)	-	-	-
Total adjustments	9,409,253	13,927,330	12,837	(24,637)
Operating cash flows before changes in working capital	64,860,417	55,314,275	21,832,691	(186,240)
Changes in working capital:				
(Increase)/decrease in inventories	(1,682,802)	90,590	-	-
Decrease/(increase) in receivables	3,497,419	(8,121,492)	8,867	(21,285)
Decrease in payables	(2,800,730)	(8,146,363)	(57,742)	(145,084)
(Increase)/decrease in amounts due from subsidiaries	-	-	(3,153,197)	68,644
Total changes in working capital	(986,113)	(16,177,265)	(3,202,072)	(97,725)
Cash flow from/(used in) operations	63,874,304	39,137,010	18,630,619	(283,965)
Interest received	245,242	95,746	18,409	-
Interest paid	(2,477,648)	(4,201,061)	-	-
Income tax refunded	266,664	-	-	-
Income tax paid	(51,485)	(323,547)	-	-
Net cash flows from/(used in) operating activities	61,857,077	34,708,148	18,649,028	(283,965)

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Investing activities				
Increase in pledged deposits	(15,669)	(17,497)	-	-
Purchase of property, plant and equipment	(16,731,895)	(9,914,808)	-	-
Proceeds from disposal of plant and equipment	74,775	63,899	6,000	-
Plantation development expenditure	(10,612,087)	(8,634,509)	-	-
Purchase of investment securities	-	(18,999,878)	-	(18,999,878)
Proceeds from disposal of investment securities	-	19,004,306	-	19,004,306
Additional investment in subsidiary	-	-	-	(35,500,000)
Dividend received	-	64,823	-	64,823
Net cash (used in)/from investing activities	(27,284,876)	(18,433,664)	6,000	(35,430,749)
Financing activities				
Dividends paid	(19,154,318)	-	(19,154,318)	-
Repayment of revolving credits	-	(21,000,657)	-	-
Repayment of invoice financing	-	(3,643,129)	-	-
Repayment of term loans	(16,500,000)	(13,500,000)	-	-
Repayment of hire purchase payables	(1,476,705)	(1,498,606)	-	-
Share issuance expense	-	(477,058)	-	(477,058)
Proceeds from issuance of rights shares	-	36,335,087	-	36,335,087
Proceeds from exercise of employee share options	463,735	-	463,735	-
Net cash flows (used in)/from financing activities	(36,667,288)	(3,784,363)	(18,690,583)	35,858,029
Net (decrease)/increase in cash and cash equivalents	(2,095,087)	12,490,121	(35,555)	143,315
Cash and cash equivalents at beginning of year	13,787,321	1,297,200	194,146	50,831
Cash and cash equivalents at end of year (Note 20)	11,692,234	13,787,321	158,591	194,146

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 6th Floor, Menara Tun Mustapha, Likas Bay, 88000 Kota Kinabalu, Sabah.

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are stated in Note 16 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 2016 in Malaysia.

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

The financial statements are presented in Ringgit Malaysia (RM).

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

2.2 Changes in regulatory requirements

Companies Act, 2016

Amongst the key changes introduced in the Companies Act, 2016 which affect the financial statements of the Group and the Company upon the commencement of the Companies Act, 2016 on 31 January 2017 are:

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

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as discussed below.

In the current financial year, the Company adopted all the amended standards which are effective for annual financial periods beginning on or after 1 January 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Changes in accounting policies (cont'd)

Description	Effective for annual periods beginning or after
Amendments to FRS 107: Disclosures Initiatives	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Annual Improvements to FRS Standards 2014-2016 Cycle - Amendments to FRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in FRS 12	1 January 2017

The adoption of these standards did not have any effect on the financial performance or position of the Company.

2.4 Adoption of Malaysian Financial Reporting Standards (MFRS Framework)

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

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

(a) Assessment and planning phase

This phase involves the following:

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

The Group considers the assessment and planning phase to be complete as at the date of these financial statements.

(b) Implementation and review phase

This phase aims to:

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Adoption of Malaysian Financial Reporting Standards (MFRS Framework) (cont'd)

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

The transition from Financial Reporting Standards to MFRS Framework has no material effect on the financial performance and financial position of the Company as disclosed in these financial statements for the financial year ended 31 December 2017.

(a) Reconciliation of the Group's equity as at 1 January 2017 (date of transition)

	As at 1 January 2017 Under FRS RM		Adjustments RM	As at 1 January 2017 Under MFRS RM
Assets				
Non-current assets				
Property, plant and equipment	157,540,034	(i)	204,767,060	362,307,094
Biological assets	225,104,560	(i)	(225,104,560)	-
Other receivables	5,055,404			5,055,404
	387,699,998			367,362,498
Current assets				
Biological assets	-	(ii)	2,697,251	2,697,251
Inventories	7,720,093	(i)	(4,643,424)	3,076,669
Trade and other receivables	9,141,535			9,141,535
Income tax refundable	408,441			408,441
Cash and bank balances	14,281,631			14,281,631
	31,551,700			29,605,527
Total assets	419,251,698			396,968,025
Equity and liabilities				
Current liabilities				
Loans and borrowings	17,975,264			17,975,264
Trade and other payables	15,752,307			15,752,307
Derivatives	904,668			904,668
	34,632,239			34,632,239
Net current liabilities	(3,080,539)			(5,026,712)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Adoption of Malaysian Financial Reporting Standards (MFRS Framework) (cont'd)

(a) Reconciliation of the Group's equity as at 1 January 2017 (date of transition) (cont'd)

	As at 1 January 2017 Under FRS RM		Adjustments RM	As at 1 January 2017 Under MFRS RM
Non-current liabilities				
Deferred tax liabilities	31,955,404	(i)(ii)	(6,773,022)	25,182,382
Loans and borrowings	35,862,204			35,862,204
	67,817,608			61,044,586
Total liabilities	102,449,847			95,676,825
Net assets	316,801,851			301,291,200
Equity attributable to owners of the Company				
Share capital	239,046,625			239,046,625
Other reserve	1,034,263			1,034,263
Retained earnings	76,720,963	(i)(ii)	(15,510,651)	61,210,312
	316,801,851			301,291,200
Total equity and liabilities	419,251,698			396,968,025

(b) Reconciliation of the Group's equity as at 31 December 2017

	As at 31 December 2017 Under FRS RM		Adjustments RM	As at 31 December 2017 Under MFRS RM
Assets				
Non-current assets				
Property, plant and equipment	165,446,772	(i)	206,863,294	372,310,066
Biological assets	236,429,881	(i)	(236,429,881)	-
Other receivables	5,598,322			5,598,322
	407,474,975			377,908,388

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Adoption of Malaysian Financial Reporting Standards (MFRS Framework) (cont'd)

(b) Reconciliation of the Group's equity as at 31 December 2017 (cont'd)

	As at 31 December 2017 Under FRS RM		Adjustments RM	As at 31 December 2017 Under MFRS RM
Current assets				
Biological assets	-	(ii)	2,111,836	2,111,836
Inventories	9,402,895	(i)	(5,052,112)	4,350,783
Trade and other receivables	5,074,692			5,074,692
Income tax refundable	137,000			137,000
Cash and bank balances	12,202,213			12,202,213
	26,816,800			23,876,524
Total assets	434,291,775			401,784,912
Equity and liabilities				
Current liabilities				
Loans and borrowings	22,760,990			22,760,990
Trade and other payables	12,919,987			12,919,987
Income tax payable	35,856			35,856
	35,716,833			35,716,833
Net current liabilities	(8,900,033)			(11,840,309)
Non-current liabilities				
Deferred tax liabilities	44,617,373	(i)	(9,086,088)	35,531,285
Loans and borrowings	13,099,773			13,099,773
	57,717,146			48,631,058
Total liabilities	93,433,979			84,347,891
Net assets	340,857,796			317,437,021
Equity attributable to owners of the Company				
Share capital	239,675,958			239,675,958
Other reserve	382,384			382,384
Retained earnings	100,799,454	(i)(ii)	(23,420,775)	77,378,679
	340,857,796			317,437,021
Total equity and liabilities	434,291,775			401,784,912

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Adoption of Malaysian Financial Reporting Standards (MFRS Framework) (cont'd)

(c) Reconciliation of the Group's total comprehensive income for the financial year ended 31 December 2017

	2017 Under FRS RM		Adjustments RM	2017 Under MFRS RM
Revenue	138,210,753			138,210,753
Cost of sales	(64,973,966)	(i)	(9,637,775)	(74,611,741)
Gross profit	73,236,787			63,599,012
Other items of income				
Interest income	245,242			245,242
Other income	727,193	(ii)	(585,415)	141,778
Other items of expense				
Selling expenses	(12,268,493)			(12,268,493)
Administrative expenses	(3,676,272)			(3,676,272)
Other expenses	(546,857)			(546,857)
Finance costs	(2,266,436)			(2,266,436)
Profit before tax	55,451,164			45,227,974
Income tax expense	(12,754,087)	(i)	2,313,066	(10,441,021)
Profit net of tax	42,697,077			34,786,953
Other comprehensive income	-			-
Total comprehensive income for the year	42,697,077			34,786,953

(i) Upon adoption of MFRS 141, bearer plants are within the scope of MFRS 16: Property, Plant and Equipment and the Group will measure the bearer plants using the cost model. Prior to adoption of MFRS 141, bearer plants were measured using the capital maintenance method and are not amortised. Replanting expenditure are recognised in profit or loss in the period the expenditure are incurred. Under MFRS 141, the costs of bearer plants will be amortised over the life of the bearer plants. Any replanting expenditure will be capitalized and amortised. Oil palm nursery will be included as bearer plants.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Basis of consolidation

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Basis of consolidation (cont'd)

Business combinations

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment

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

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

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

-	Buildings	2 - 10%
-	Plantation infrastructure	2%
-	Plant and machinery	10%
-	Motor vehicles	10%
-	Equipment, furniture and fittings	10%

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

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

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

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

2.7 Biological assets

All direct expenses incurred in land preparation, planting, estate administrative and maintenance of plantation up to maturity are capitalised as plantation development expenditure. Maintenance expenditure subsequent to maturity is recognised in profit or loss as and when incurred. General charges are apportioned based on proportion of matured and immature areas.

Plantation development expenditure are not amortised and are measure at cost less accumulated impairment losses. Palm trees are considered mature upon reaching 36 months after planting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

2.9 Current versus non-current classification

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

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

All other assets are classified as non-current. A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by FRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (cont'd)

(a) Financial assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 19.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2017 and 2016.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (cont'd)

(a) Financial assets (cont'd)

Available-for-sale (AFS) financial investments (cont'd)

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (cont'd)

(b) Impairment of financial assets (cont'd)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (cont'd)

(b) Impairment of financial assets (cont'd)

Available-for-sale (AFS) financial investments (cont'd)

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in FRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial instruments – initial recognition and subsequent measurement (cont'd)

(c) Financial liabilities (cont'd)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 21.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

As at reporting date, no values are placed on corporate guarantees provided by the Company to secure bank loans and other banking facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

Derecognition

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

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Cash and cash equivalents

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

2.12 Inventories

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

- Palm oil products: cost of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

- Consumable stores: purchase costs and expenses in bringing them into store on a weighted average cost method.

- Oil palm nurseries: purchase costs and upkeep expenses on a weighted average cost method.

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

2.13 Provisions

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

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

2.14 Borrowing costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

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

(c) Employee share options plans

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

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.17 Revenue

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

(a) Revenue from log extraction services

Revenue from contract income is recognised when services are performed.

(b) Sale of goods

Revenue from sale of goods is recognised net of sales taxes and upon the transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Revenue (cont'd)

(c) Interest income

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

(d) Management fees

Management fees are recognised when services are rendered.

(e) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.18 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

(c) Goods and services tax (GST)

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

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

- Receivables and payables that are stated with the amount of GST included.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.20 Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received. Ordinary shares are classified as equity. Incremental transaction costs directly attributable to the issuance of ordinary shares are recognised as a deduction from equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.21 Contingencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Group's accounting policies on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(a) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 10 to 50 years. These are common life expectancies applied in the palm oil industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Company's plant and equipment at the reporting date is disclosed in Note 14.

(b) Deferred tax assets

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

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

The total carrying value of deferred tax assets of the Group at 31 December 2017 was RM35,888,483 (2016: RM44,211,723) and recognised tax losses, unabsorbed capital and agriculture allowances at 31 December 2017 was RM149,535,346 (2016: RM184,215,513). The unrecognised tax losses of the Group at 31 December 2017 was RM2,480,592 (2016: RM2,871,143).

(c) Employee share options

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

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

4. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Dividend income	-	-	21,913,000	-
Management fees	-	-	396,000	396,000
Log extraction contract fees	-	20,284,991	-	-
Sale of oil palm fresh fruit bunches	921,902	185,999	-	-
Sale of crude palm oil	120,924,516	102,316,623	-	-
Sale of palm kernel	16,364,335	13,561,410	-	-
	138,210,753	136,349,023	22,309,000	396,000

5. COST OF SALES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Contract fees	-	14,491,479	-	-
Cost of inventories sold	64,973,966	61,037,111	-	-
Cost of services rendered	-	-	147,403	154,463
	64,973,966	75,528,590	147,403	154,463

6. INTEREST INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from money market deposits	211,164	78,249	-	-
Interest income from deposits	34,078	17,497	18,409	-
	245,242	95,746	18,409	-

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

7. OTHER INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Dividend income from investment securities	-	64,823	-	64,823
Rental income	1,800	1,800	-	-
Miscellaneous income	659,980	78,722	122,269	-
Gain on disposal of plant and equipment	17,299	11,023	5,999	-
Gain on sale of consumable goods	48,114	391,837	-	-
Net fair value gain on investment securities	-	4,428	-	4,428
	727,193	552,633	128,268	69,251

8. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense on:				
Hire purchase	191,603	195,714	-	-
Trade advances	628	35,983	-	-
Term loan	2,285,417	3,231,819	-	-
Invoice financing	-	96,976	-	-
Revolving credits	-	640,569	-	-
	2,477,648	4,201,061	-	-
Less: Interest expense capitalised in biological assets (Note 15)	(211,212)	(305,627)	-	-
	2,266,436	3,895,434	-	-

9. PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Employee benefits expense (Note 10)	26,674,472	23,280,262	-	-
Non-executive directors' remuneration (Note 11)	278,403	314,487	146,403	152,463
Auditors' remuneration:				
- Statutory audits:				
- current year	93,000	81,000	50,000	40,000
- under provision in respect of previous year	14,000	5,000	10,000	4,000
- Other services	20,500	19,500	9,500	6,000
Depreciation of property, plant and equipment (Note 14)	8,235,115	8,453,765	19,342	19,651
Impairment loss on other receivables	26,464	-	-	-
Inventories written down	-	655,451	-	-
Inventories written off	-	60,446	-	-
Property, plant and equipment written off (Note 14)	30,544	108,623	-	-
Rental of premises	121,950	122,943	42,750	42,750
Reversal of unrealised loss on commodity future contracts	(904,668)	-	-	-
Realised loss on commodity future contracts	1,133,213	1,063,256	-	-
Unrealised loss on commodity future contracts	-	904,668	-	-

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Wages and salaries	28,567,148	25,444,028	-	-
Contributions to defined contribution plan	815,253	693,286	-	-
Social security contributions	229,296	172,868	-	-
Share options granted under ESOS	31,548	100,795	-	-
	29,643,245	26,410,977	-	-
Less: Amount capitalised in plantation development expenditure	(2,968,773)	(3,130,715)	-	-
	26,674,472	23,280,262	-	-

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM1,513,000 (2016: RM1,077,200) as further disclosed in Note 11.

11. DIRECTORS' REMUNERATION

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive directors' remuneration (Note 10):				
- Salaries and other emoluments	1,513,000	1,077,200	1,000	2,000
- Indemnity given to or insurance effected for any directors	-	-	-	-
	1,513,000	1,077,200	1,000	2,000
Non-executive directors' remuneration (Note 9):				
- Fees	260,500	271,500	128,500	127,500
- Share option granted under ESOS	17,903	42,987	17,903	24,963
- Indemnity given to or insurance effected for any directors	-	-	-	-
	278,403	314,487	146,403	152,463
Total directors' remuneration	1,791,403	1,391,687	147,403	154,463

12. INCOME TAX EXPENSE

Major components of income tax expense

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

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Statements of comprehensive income				
Income tax:				
Current year	83,356	6,473	34,878	-
Under/(over) provision in respect of previous year	8,762	(28,300)	-	-
	92,118	(21,827)	34,878	-
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	12,762,770	9,554,359	-	-
(Over)/under provision in respect of previous year	(100,801)	495,937	-	-
	12,661,969	10,050,296	-	-
Income tax expense recognised in profit or loss	12,754,087	10,028,469	34,878	-

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12. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting profit/(loss)

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Accounting profit/(loss) before tax	55,451,164	41,386,945	21,819,854	(161,603)
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	13,308,279	9,932,867	5,236,765	(38,785)
Adjustments:				
Effect of expenses not deductible for tax purposes	399,917	322,130	149,547	73,525
Income not subject to tax	-	-	(5,259,120)	-
Effect of tax exemption#	(769,756)	(659,425)	-	-
Utilisation of previously unrecognised tax losses	(93,732)	(34,740)	(93,732)	(34,740)
Deferred tax assets not recognised	1,418	-	1,418	-
(Over)/under provision of deferred tax in respect of previous year	(100,801)	495,937	-	-
Under/(over) provision of income tax in respect of previous year	8,762	(28,300)	-	-
Income tax expense recognised in profit or loss	12,754,087	10,028,469	34,878	-

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

\# A subsidiary, IPB Bio Energy Sdn. Bhd., has been granted Pioneer Status under Section 127 of the Income Tax Act, 1967, with 100% tax exemption on the subsidiary's statutory income from the operation of biomass plant for a period of 10 years, commencing from 31 December 2014.

13. EARNINGS PER SHARE

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

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

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

	Group	
	2017 **RM**	**2016** **RM**
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	42,697,077	31,358,476

	Group	
	2017 **Number of shares**	**2016** **Number of shares**
Weighted average number of ordinary shares for basic earnings per share computation	478,749,006	467,625,352
Effects of dilution:		
- Share options	600,562	482,622
Weighted average number of ordinary shares for diluted earnings per share computation	479,349,568	468,107,974

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For The Financial Year Ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM	Plantation infrastructure RM	Motor vehicles RM	Equipment, furniture and fittings RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
At 31 December 2017							
Cost							
At 1 January 2017	66,761,769	48,776,062	16,501,188	2,365,737	46,014,267	5,357,772	185,776,795
Additions	351,441	1,455,282	3,587,520	354,377	1,442,055	9,541,220	16,731,895
Reclassifications	7,777,017	-	-	10,800	1,094,833	(8,882,650)	-
Disposals	-	-	(222,062)	-	-	-	(222,062)
Write off	(60,030)	-	(70,000)	(4,932)	-	-	(134,962)
At 31 December 2017	74,830,197	50,231,344	19,796,646	2,725,982	48,551,155	6,016,342	202,151,666
Accumulated depreciation							
At 1 January 2017	6,354,521	2,624,976	9,019,544	1,166,547	9,071,173	-	28,236,761
Depreciation charge for the year	1,442,363	989,862	1,414,193	167,913	4,722,806	-	8,737,137
Recognised in profit or loss	1,355,001	928,725	1,327,926	158,208	4,465,255	-	8,235,115
Capitalised in biological assets	87,362	61,137	86,267	9,705	257,551	-	502,022
Disposals	-	-	(164,586)	-	-	-	(164,586)
Write off	(29,963)	-	(69,999)	(4,456)	-	-	(104,418)
At 31 December 2017	7,766,921	3,614,838	10,199,152	1,330,004	13,793,979	-	36,704,894
Net carrying amount							
At 31 December 2017	67,063,276	46,616,506	9,597,494	1,395,978	34,757,176	6,016,342	165,446,772

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

Group	Buildings RM	Plantation infrastructure RM	Motor vehicles RM	Equipment, furniture and fittings RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
At 31 December 2016							
Cost							
At 1 January 2016	62,488,021	47,031,383	14,886,387	2,247,136	40,024,021	7,817,423	174,494,371
Additions	250,210	1,522,639	1,661,801	119,591	415,571	7,512,196	11,482,008
Reclassifications	4,139,972	222,040	-	160	5,609,675	(9,971,847)	-
Disposals	-	-	(47,000)	-	(35,000)	-	(82,000)
Write off	(116,434)	-	-	(1,150)	-	-	(117,584)
At 31 December 2016	66,761,769	48,776,062	16,501,188	2,365,737	46,014,267	5,357,772	185,776,795
Accumulated depreciation							
At 1 January 2016	5,006,132	375,734	7,689,090	1,010,344	4,944,793	-	19,026,093
Depreciation charge for the year	1,356,539	2,249,242	1,331,627	157,014	4,154,331	-	9,248,753
Recognised in profit or loss	1,221,590	1,839,372	1,145,232	139,815	4,107,756	-	8,453,765
Capitalised in biological assets	134,949	409,870	186,395	17,199	46,575	-	794,988
Disposals	-	-	(1,173)	-	(27,951)	-	(29,124)
Write off	(8,150)	-	-	(811)	-	-	(8,961)
At 31 December 2016	6,354,521	2,624,976	9,019,544	1,166,547	9,071,173	-	28,236,761
Net carrying amount							
At 31 December 2016	60,407,248	46,151,086	7,481,644	1,199,190	36,943,094	5,357,772	157,540,034

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For The Financial Year Ended 31 December 2017

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

	Motor vehicles RM	Equipment, furniture and fittings RM	Total RM
Company			
At 31 December 2017			
Cost			
At 1 January 2017	282,605	177,871	460,476
Disposals	(108,062)	-	(108,062)
At 31 December 2017	174,543	177,871	352,414
Accumulated depreciation			
At 1 January 2017	212,776	168,394	381,170
Depreciation charge for the year	17,454	1,888	19,342
Disposals	(108,061)	-	(108,061)
At 31 December 2017	122,169	170,282	292,451
Net carrying amount			
At 31 December 2017	52,374	7,589	59,963
At 31 December 2016			
Cost			
At 1 January 2016 and 31 December 2016	282,605	177,871	460,476
Accumulated depreciation			
At 1 January 2016	195,321	166,198	361,519
Depreciation charge for the year	17,455	2,196	19,651
At 31 December 2016	212,776	168,394	381,170
Net carrying amount			
At 31 December 2016	69,829	9,477	79,306

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

Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of nil (2016: RM1,567,200) by means of hire purchase arrangements. The cash outflow on acquisition of property, plant and equipment amounted to RM16,731,895 (2016: RM9,914,808).

The carrying amount of property, plant and equipment held under finance leases at the reporting date was RM2,507,429 (2016: RM5,085,433).

At the reporting date, property, plant and equipment of the Group, with total carrying amount of RM165,386,809 (2016: RM157,460,728) are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of subsidiaries.

15. BIOLOGICAL ASSETS

	Group	
	2017 RM	2016 RM
Plantation development expenditure:		
At 1 January	225,104,560	215,369,436
Additions during the year	11,325,321	9,735,124
At 31 December	236,429,881	225,104,560

Included in plantation development expenditure incurred during the financial year are:

	Group	
	2017 RM	2016 RM
Interest expense (Note 8)	211,212	305,627
Depreciation (Note 14)	502,022	794,988
Employee benefits expense (Note 10)	2,968,773	3,130,715

The oil palm plantation of the Group is developed on a parcel of land measuring approximately 22,763 hectares situated in the locality of Gunung Rara/Kalabakan, Sabah, pursuant to the Agreement for Oil Palm Plantation dated 18 November 2005 entered between the subsidiary, Serijaya Industri Sdn. Bhd., and Benta Wawasan Sdn. Bhd., the licensee of the said land.

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15. BIOLOGICAL ASSETS (CONT'D)

Pursuant to the agreement, Serijaya Industri Sdn. Bhd. is granted the permission to develop the said land into an oil palm plantation for a period of 30 years. On 29 August 2013, the tenure for the permission to develop the said land into oil palm plantation has been extended to 60 years.

Plantation development expenditure of the Group is pledged to bank for borrowings granted to its subsidiary as stated in Note 21.

At the reporting date, all (2016: all) biological assets of the Group are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of a subsidiary.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM	RM
Unquoted shares, at cost		
- Ordinary shares	2,050,000	2,050,000
- Redeemable convertible non-cumulative preference shares	242,650,000	242,650,000
	244,700,000	244,700,000
ESOS granted to employees of subsidiaries	1,149,821	1,118,273
	245,849,821	245,818,273

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ principal place of business	Principal activities	Proportion of ownership interest held by the Group*	
			2017	2016
			%	%
Serijaya Industri Sdn. Bhd.	Malaysia	Operation of oil palm plantations and palm oil mill	100	100
IPB Bio Energy Sdn. Bhd.	Malaysia	Producer and supplier of renewable energy	100	100

*Equals to the proportion of voting rights held.

17. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cost				
Fresh fruit bunches	59,252	-	-	-
Oil palm nursery	5,052,112	3,623,557	-	-
Stores and supplies	2,958,434	2,579,124	-	-
Crude palm oil	1,121,349	395,448	-	-
Palm kernel	211,748	102,097	-	-
	9,402,895	6,700,226	-	-
Net realisable value				
Oil palm nursery	-	1,019,867	-	-
	9,402,895	7,720,093	-	-

At the reporting date, all (2016: all) inventories of the Group are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of a subsidiary.

18. DERIVATIVES

	Group		
	Contract/ Notional amount	Assets	Liabilities
	RM	RM	RM
2017			
Non-hedging derivatives:			
Current:			
Commodity future contracts	-	-	-
2016			
Non-hedging derivatives:			
Current:			
Commodity future contracts	6,778,407	-	904,668

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For The Financial Year Ended 31 December 2017

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current				
Trade receivables				
Third parties	3,189,129	3,189,129	-	-
Company related to a corporate shareholder of the Company	2,159,478	3,797,915	-	-
	5,348,607	6,987,044	-	-
Less: Allowance for impairment Third party	(3,189,129)	(3,189,129)	-	-
Trade receivables, net	2,159,478	3,797,915	-	-
Other receivables				
Amounts due from subsidiaries	-	-	3,801,784	648,321
Amounts due from companies related to corporate shareholder of the Company	56,955	74,497	-	-
Deposits	136,953	3,423,554	7,074	7,074
Prepayments	100,184	186,665	-	-
Sundry receivables	2,621,122	1,658,904	18,605	27,472
	2,915,214	5,343,620	3,827,463	682,867
	5,074,692	9,141,535	3,827,463	682,867
Non-current				
Other receivables				
Sundry receivables	5,598,322	5,055,404	-	-
Total trade and other receivables	10,673,014	14,196,939	3,827,463	682,867
Add: Cash and bank balances	12,202,213	14,281,631	158,591	194,146
Less: Prepayments	(100,184)	(186,665)	-	-
Total loans and receivables	22,775,043	28,291,905	3,986,054	877,013

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2017	**2016**
	RM	**RM**
Neither past due nor impaired	2,159,478	3,797,915
Impaired	3,189,129	3,189,129
	5,348,607	6,987,044

Trade receivables are neither past due nor impaired

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

None of the Group's trade receivables have been renegotiated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired	
	2017	2016
	RM	RM
Trade receivables - nominal amounts	3,189,129	3,189,129
Less: Allowance for impairment	(3,189,129)	(3,189,129)
	-	-

Movement in allowance accounts:

	Group	
	2017	2016
	RM	RM
At 1 January	3,189,129	3,189,129
Charge for the year	-	-
At 31 December	3,189,129	3,189,129

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

(c) Amounts due from related parties

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

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Other receivables (non-current)

This represents advance payments to suppliers who provide services to the Group.

Other receivables that are impaired

During the financial year, the Group has provided impairment loss on other receivables of RM26,464 (2016: nil).

(e) Receivables charged as securities

At the reporting date, trade and other receivables of the Group amounting to RM10,647,335 (2016: RM14,162,393) are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of subsidiaries.

20. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Cash on hand and at banks	11,692,234	13,787,321	158,591	194,146
Deposits with a licensed bank	509,979	494,310	-	-
	12,202,213	14,281,631	158,591	194,146
Less: Deposits with maturity more than 3 months	(509,979)	(494,310)	-	-
Cash and cash equivalents	11,692,234	13,787,321	158,591	194,146

Deposits with a licensed bank of the Group amounting to RM509,979 (2016: RM494,310) are pledged as securities for banking facilities granted to the Group.

Deposits are make for a period of 12 months (2016: 12 months). The weighted average effective interest rate of deposits with a licensed bank of the Group as at the reporting date was 3.00% (2016: 3.00%).

As at the reporting date, cash and bank balances of the Group amounting to RM12,043,622 (2016: RM14,087,485) are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
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21. LOANS AND BORROWINGS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Current				
Secured:				
Hire purchase payables	1,260,990	1,475,264	-	-
Term loans	21,500,000	16,500,000	-	-
	22,760,990	17,975,264	-	-
Non-current				
Secured:				
Hire purchase payables	599,763	1,862,194	-	-
Term loans	12,500,010	34,000,010	-	-
	13,099,773	35,862,204	-	-
Total loans and borrowings				
Hire purchase payables	1,860,753	3,337,458	-	-
Term loans	34,000,010	50,500,010	-	-
	35,860,763	53,837,468	-	-

The remaining maturities of the loans and borrowings, excluding hire purchase payables, as at 31 December 2017 were as follows:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
On demand or within one year	21,500,000	16,500,000	-	-
More than 1 year and less than 2 years	12,500,010	21,500,000	-	-
More than 2 years and less than 5 years	-	12,500,010	-	-
	34,000,010	50,500,010	-	-

The weighted average effective interest rates at the reporting date for borrowings, excluding hire purchase payables, were as follows:

	Group 2017 %	Group 2016 %	Company 2017 %	Company 2016 %
Term loans	5.13	5.17	-	-

21. LOANS AND BORROWINGS (CONT'D)

Loans and borrowings of the Group are secured by the following:

(i) Corporate guarantee given by the Company.

(ii) Assignment of rights, title and interest including but not limited to the right to occupy and develop a parcel of land (Note 15).

(iii) All monies debenture and power of attorney over all of the existing and future assets of subsidiaries.

(iv) Pledge of deposits with licensed bank (Note 20).

A reconciliation of liabilities arising from financing activities is as follows:

	2016 RM	Cash flows RM	Non-cash changes Others RM	2017 RM
Group				
Term loans				
- current	16,500,000	(16,500,000)	21,500,000	21,500,000
- non-current	34,000,010	-	(21,500,000)	12,500,010
Obligations under finance leases				
- current	1,475,264	(1,476,705)	1,262,431	1,260,990
- non-current	1,862,194	-	(1,262,431)	599,763
Total	53,837,468	(17,976,705)	-	35,860,763

The 'others' column related to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade payables				
Third parties	2,381,667	5,375,683	-	-
Company related to immediate holding company	455,327	402,327	-	-
Company related to a corporate shareholder	901,000	254,400	-	-
	3,737,994	6,032,410	-	-

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22. TRADE AND OTHER PAYABLES (CONT'D)

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Other payables				
Accruals	2,593,296	3,384,427	76,200	168,521
Amount due to subsidiary	-	-	266	-
Amount due to a corporate shareholder	51,018	92,608	-	-
Amounts due to companies related to a corporate shareholder	2,348	950,105	-	-
Retention sum for contract work	609,429	983,649	-	-
Sundry payables	5,925,902	4,309,108	63,515	28,936
	9,181,993	9,719,897	139,981	197,457
Total trade and other payables	12,919,987	15,752,307	139,981	197,457
Add: Loans and borrowings (Note 21)	35,860,763	53,837,468	-	-
Total financial liabilities carried at amortised cost	48,780,750	69,589,775	139,981	197,457

(a) Trade payables

Trade payables are non-interest bearing and the normal credit terms granted to the Group range from one month to three months.

(b) Amount due to subsidiary

Amount due to subsidiary is unsecured, non-interest bearing and is repayable upon demand.

(c) Amounts due to related parties

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

23. DEFERRED TAX

	As at 1 January 2016 RM	Recognised in profit or loss RM	As at 31 December 2016 RM	Recognised in profit or loss RM	As at 31 December 2017 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	9,613,915	13,247,602	22,861,517	580,253	23,441,770
Biological assets	63,061,312	(9,538,582)	53,522,730	3,541,356	57,064,086
	72,675,227	3,709,020	76,384,247	4,121,609	80,505,856
Deferred tax assets:					
Derivatives	-	(217,120)	(217,120)	217,120	-
Unutilised tax losses	(23,032,313)	1,390,443	(21,641,870)	-	(21,641,870)
Unabsorbed capital and agriculture allowances	(27,737,806)	5,167,953	(22,569,853)	8,323,240	(14,246,613)
	(50,770,119)	6,341,276	(44,428,843)	8,540,360	(35,888,483)
	21,905,108	10,050,296	31,955,404	12,661,969	44,617,373

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

	Group and Company 2017 RM	2016 RM
Unutilised tax losses	2,480,592	2,871,143
Other temporary differences	(20,732)	(26,640)
	2,459,860	2,844,503

The availability of unutilised tax losses for offsetting against future taxable profits of the Company are subject to no substantial changes in shareholdings of the Company under the Income Tax Act, 1967 and guidelines issued by the tax authority.

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24. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	←	Amount	→
	Share capital (Issued and fully paid) RM	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM
At 1 January 2016	191,237,300*	191,237,300	1,097,552	192,334,852
Issued pursuant to:				
Sub-division of shares	191,237,300	-	-	-
Rights issue	95,618,650	47,809,325	(1,097,552)	46,711,773
At 31 December 2016 and 1 January 2017	478,093,250	239,046,625	-	239,046,625
Exercise of employee share options (Note 27)	764,700	629,333	-	629,333
At 31 December 2017	478,857,950	239,675,958	-	239,675,958

* This indicates the number of ordinary shares at RM1.00 each prior to the subdivision of ordinary shares to RM1.00 each into two ordinary shares of RM0.50 each.

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM239,046,625 to RM239,675,958 by way the of issuance of 764,700 ordinary shares for cash to the Company's Employee Share Option Scheme at an average issue price of RM0.61 per ordinary share.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share and rank equally with regard to the Company's residual assets.

25. OTHER RESERVE

	Group and Company	
	2017	2016
	RM	RM
Employee share option reserve		
At 1 January	1,034,263	908,505
Transactions with owners		
Grant of equity-settled share option to employees	49,451	125,758
Exercise of employee share options	(165,598)	-
Lapse of employee share options	(535,732)	-
At 31 December	382,384	1,034,263

Employee share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry of exercise of the share options.

26. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2017 and 31 December 2016 under the single tier system.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

27. EMPLOYEE BENEFITS

Executives' Share Options Scheme ("ESOS")

The Innoprise Plantations Berhad ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 30 October 2009. The ESOS was implemented on 25 May 2010 and is to be in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

(i) The ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible Executives of the Group to subscribe for new ordinary shares of RM1 each in the Company.

(ii) Subject to the discretion of the ESOS Committee, any Executives whose employment has been confirmed with at least one (1) year of continuous service before the date of offer and any directors on the date of offer in any company within the Group, shall be eligible to participate in the ESOS.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 5% of the issued share capital of the Company at any point of time during the tenure of the ESOS.

(iv) The option price for each share shall be the weighted average of the market price as quoted in the Daily Official List issued by Bursa Securities for the 5 market days immediately preceding the date on which the option is granted less, if the ESOS Committee shall so determine at their discretion from time to time, a discount of not more than 10%. Notwithstanding this, the option price per share shall in no event be less than the nominal value of the share.

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

27. EMPLOYEE BENEFITS (CONT'D)

Executives' Share Options Scheme ("ESOS") (cont'd)

Movement of share options during the financial year

		Number of share options						
		Outstanding at 1 January*	Movement during the year: Sub-division+	Granted	Exercised	Lapsed	Outstanding at 31 December	Exercisable at 31 December
		'000	'000	'000	'000	'000	'000	'000
2017								
2010	- Option 1	516	-	-	(66)	-	450	450
2011	- Option 2	36	-	-	(36)	-	-	-
2012	- Option 3	76	-	-	(76)	-	-	-
	- Option 4	494	-	-	(144)	(350)	-	-
	- Option 5	140	-	-	(140)	-	-	-
2013	- Option 6	46	-	-	(25)	(21)	-	-
	- Option 7	530	-	-	(203)	(22)	305	305
2014	- Option 8	266	-	-	(40)	(42)	184	114
2015	- Option 9	338	-	-	(34)	-	304	84
		2,442	-	-	(764)	(435)	1,243	953
Weighted Average Exercise Price ("WAEP") (RM)		0.61	-	-	0.61	0.55	0.63	0.60
2016								
2010	- Option 1	273	273	-	-	(30)	516	516
2011	- Option 2	18	18	-	-	-	36	36
2012	- Option 3	38	38	-	-	-	76	76
	- Option 4	247	247	-	-	-	494	494
	- Option 5	70	70	-	-	-	140	140
2013	- Option 6	23	23	-	-	-	46	30
	- Option 7	298	298	-	-	(66)	530	345
2014	- Option 8	139	139	-	-	(12)	266	93
2015	- Option 9	169	169	-	-	-	338	118
		1,275	1,275	-	-	(108)	2,442	1,848
Weighted Average Exercise Price ("WAEP") (RM)		**1.22**	**0.61**	**-**	**-**	**0.63**	**0.61**	**0.57**

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

27. EMPLOYEE BENEFITS (CONT'D)

Executives' Share Options Scheme ("ESOS") (cont'd)

Movement of share options during the financial year (cont'd)

* Share options over ordinary shares at par value of RM0.50 (2016: RM1.00) each.
\+ Sub-division of share options over ordinary shares of RM1.00 each to share options over ordinary shares of RM0.50 each.

- There were no new share option granted during the financial year ended 31 December 2017 and 2016.
- The range of exercise price for options outstanding at the reporting date was RM0.50 to RM0.85 (2016: RM0.50 to RM0.85). The weighted average remaining contractual life for these options is 3 years (2016: 4 years).

28. COMMITMENTS

(a) Capital commitments

	Group	
	2017	2016
	RM	RM
Capital expenditure:		
Property, plant and equipment:		
Approved and contracted for	3,748,016	7,522,827

(b) Operating lease commitments – as lessee

The Group has entered into an Agreement for Oil Palm Plantation with Benta Wawasan Sdn. Bhd. Pursuant to the agreement, the Group is granted the permission to develop a parcel of land into oil palm plantation for a period of 60 years. The Group shall pay the lessor an annual rent of RM50,000 for the first nine years and commencing the 10th year, the Group shall pay the lessor based on tonnage of fresh fruit bunches harvested from the land, subject to a minimum annual sum of RM50,000.

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2017	2016
	RM	RM
Not later than 1 year	50,000	50,000
Later than 1 year but not later than 5 years	200,000	200,000
Later than 5 years	2,550,000	2,600,000
	2,800,000	2,850,000

28. COMMITMENTS (CONT'D)

(c) Finance lease commitments

The Group has finance leases for certain items of plant and equipment (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2017	2016
	RM	RM
Minimum lease payments		
Not later than 1 year	1,371,866	1,668,150
Later than 1 year not later than 2 years	708,256	1,371,888
Later than 2 years not later than 5 years	32,984	741,240
	2,113,106	3,781,278
Less: Future finance charges	(252,353)	(443,820)
Present value of minimum lease payments	1,860,753	3,337,458
Present value of lease payments:		
Not later than 1 year	1,260,990	1,475,264
Later than 1 year not later than 2 years	570,698	1,207,284
Later than 2 years not later than 5 years	29,065	654,910
	1,860,753	3,337,458
Analysed as:		
Due within 12 months	1,260,990	1,475,264
Due after 12 months	599,763	1,862,194
	1,860,753	3,337,458

The effective interest rates of hire purchase payables of the Group at the reporting date were ranging from 5.30% to 6.58% (2016: 5.30% to 7.21%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

29. MATERIAL LITIGATION

On 3 June 2014, Serijaya Industri Sdn. Bhd. (SJI), a wholly-owned subsidiary of the Company, filed a notice of arbitration against Asiatic Lumber Industries Sdn. Bhd. (ALISB) for a claim approximately RM14,631,516 arising from a shortfall in guaranteed volume of log production under a Logging Sub-Contract agreement between SJI and ALISB.

Under the Logging Sub-Contract agreement, ALISB has undertaken to extract a minimum of 120,000 M^3 of logs per annum. The amount of RM14,631,516 was computed on the loss of profit from production shortfall.

On 1 July 2014, ALISB filed a counterclaim for alleged losses of RM47,638,833.

The Arbitrator had on 6 October 2016 awarded SJI the whole claim amounted to RM11,619,123 for shortfall from 2011 to 2013 with interest at 10% per annum.

ALISB has sought determination from the High Court on questions of law arising from the Arbitrator's award and, on 4 April 2017, the High Court in Sandakan had dismissed the application to set aside the arbitration award by ALISB and delivered the ruling in favour of SJI. On 10 April 2017, ALISB has filed a Notice of Appeal in the Court of Appeal to set aside the arbitration award. On 17 April 2017, the High Court of Sabah and Sarawak has ordered that leave be granted to SJI to enforce the arbitration award. ALISB failed to pay the sums under the arbitration award. On 14 August 2017, the High Court of Sabah and Sarawak has ordered that ALISB be wound up and the Director General of Insolvency be appointed as the liquidator of ALISB. Due to ALISB's winding-up, it requested for time to obtain sanction of the Insolvency Department to proceed with its appeal to Court of Appeal. The Court of Appeal has scheduled 16 April 2018 for next case management.

30. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

Group

	2017 RM	2016 RM
Companies related to ultimate holding company:		
Log extraction contract fee income receivable	-	20,284,991
Rental payable	50,000	50,000
Corporate shareholder of the Company - TSH Resources Berhad:		
Rental payable	108,884	101,429
Purchase of equipment	106,000	87,000
Companies related to a corporate shareholder of the Company:		
Sale of oil palm fresh fruit bunches	921,902	185,999
Sale of crude palm oil	120,924,516	102,316,623
Sale of palm kernel	16,364,335	13,561,410
Interest payable	-	39,697
Purchase of seedlings	4,065,100	3,286,000

30. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Sale and purchase of goods and services (cont'd)

	2017 RM	2016 RM
Company		
Subsidiary:		
Management fees receivable	396,000	396,000
Dividends receivable	21,913,000	-
Company related to holding company:		
Rental payable	42,750	42,750

Information regarding outstanding balances arising from related party transactions as at 31 December 2017 are disclosed in Note 19 and 22.

(b) Compensation of key management personnel

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short-term employee benefits	1,773,500	1,348,700	129,500	129,500
Share-based payments	17,903	42,987	17,903	24,963
	1,791,403	1,391,687	147,403	154,463

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The followings are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	19
Trade and other payables	22
Loans and borrowings (current)	21
Loans and borrowings (non-current)	21

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

Financial guarantees

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

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

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called is remote as the subsidiary will be able to meet its short term loans and borrowings obligations as and when they are due.

(a) Fair value assets and liabilities

The Company categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:

	Group			
	Quoted prices in active market for identical instruments (Level 1) RM	Significant observable inputs other than quoted prices (Level 2) RM	Significant unobservable inputs (Level 3) RM	Total RM
Recurring fair value measurements				
Financial liabilities at fair value through profit and loss				
Derivatives – commodity future contracts				
- 2017	-	-	-	-
- 2016	-	(904,668)	-	(904,668)

Derivatives

Fair value of commodity future contracts are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by Executive Committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

The Group's objective is to seek continual revenue growth while minimsing losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- A nominal amount of RM90,000,000 (2016: RM90,000,000) relating to corporate guarantee provided by the Company to bankers on credit facilities granted to a subsidiary.

Credit risk concentration profile

At the reporting date, 100% (2016: 100%) of the Group's trade receivables were due from one major related party.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the reporting date, approximately 63% (2016: 33%) of loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

	2017				2016			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group								
Financial assets								
Trade and other receivables	4,974,508	3,412,966	2,185,356	10,572,830	8,954,870	3,040,058	2,015,346	14,010,274
Cash and bank balance	12,202,213	-	-	12,202,213	14,281,631	-	-	14,281,631
Total undiscounted financial assets	17,176,721	3,412,966	2,185,356	22,775,043	23,236,501	3,040,058	2,015,346	28,291,905
Financial liabilities:								
Trade and other payables	12,919,987	-	-	12,919,987	15,752,307	-	-	15,752,307
Loans and borrowings	24,155,436	13,428,281	-	37,583,717	20,407,406	37,595,193	-	58,002,599
Derivatives	-	-	-	-	904,668	-	-	904,668
Total undiscounted financial liabilities	37,075,423	13,428,281	-	50,503,704	37,064,381	37,595,193	-	74,659,574
Total net undiscounted financial (liabilities)/assets	(19,898,702)	(10,015,315)	2,185,356	(27,728,661)	(13,827,880)	(34,555,135)	2,015,346	(46,367,669)

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

	On demand or within one year	
	2017	2016
	RM	RM
Company		
Financial assets:		
Trade and other receivables	3,827,463	682,867
Cash and bank balances	158,591	194,146
Total undiscounted financial assets	3,986,054	877,013
Financial liabilities:		
Trade and other payables	139,981	197,457
Total undiscounted financial liabilities	139,981	197,457
Total net undiscounted financial assets	3,846,073	679,556
Financial guarantee contracts	90,000,000	90,000,000

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The investment in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM101,082 (2016: RM177,514) higher/lower, arising mainly as a result of lower/higher interest expense on loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is base on the currently observable market environment.

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 10% and 40%. The Group includes within net debts, loans and borrowings, trade and other payables, less cash and cash equivalents.

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Loans and borrowings	21	35,860,763	53,837,468	-	-
Trade and other payables	22	12,919,987	15,752,307	139,981	197,457
Less: Cash and bank balances	20	(12,202,213)	(14,281,631)	(158,591)	194,146
Net debt		36,578,537	55,308,144	(18,610)	391,603
Capital:					
Equity attributable to owners of the Company		340,857,796	316,801,851	249,720,979	246,577,135
Capital and net debt		377,436,333	372,109,995	249,702,819	246,968,738
Gearing ratio		10%	15%	-	1%

34. SEGMENT INFORMATION

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

- (i) Palm and bio-integration - Cultivation of oil palm, manufacture and sale of crude palm oil and palm kernel, and generation and supply of electricity from a biomass plant
- (ii) Timber - Log extraction services
- (iii) Corporate - Group level corporate services and treasury functions

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

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

34. SEGMENT INFORMATION (CONT'D)

	Palm and bio-integration		Timber		Corporate		Adjustment and elimination		Note	Per consolidated financial statements	
	2017	2016	2017	2016	2017	2016	2017	2016		2017	2016
	RM	RM	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:											
External customers	138,210,753	136,349,023	-	20,284,991	-	-	-	-		138,210,753	136,349,023
Inter segment	-	-	-	-	22,309,000	396,000	(22,309,000)	(396,000)		-	-
	138,210,753	136,349,023	-	20,284,991	22,309,000	396,000	(22,309,000)	(396,000)		138,210,753	136,349,023
Results:											
Depreciation and amortisation	8,215,773	8,434,114	-	-	19,342	19,651	-	-		8,235,115	8,453,765
Dividend income	-	-	-	-	21,913,000	64,823	(21,913,000)	-		-	64,823
Interest income	226,833	95,746	-	-	18,409	-	-	-		245,242	95,746
Other non-cash expenses	57,008	824,520	-	-	31,548	125,753	-	-	A	88,556	950,273
Segment profit	55,940,310	36,151,036	-	5,793,512	21,819,854	(161,603)	(22,309,000)	(396,000)	B	55,451,164	41,386,945
Assets:											
Additions to non-current assets	28,057,216	21,217,132	-	-	-	-	-	-	C	28,057,216	21,217,132
Segment assets	421,926,883	404,527,080	-	-	12,227,892	14,316,177	137,000	408,441	D	434,291,775	419,251,698
Segment liabilities	12,351,503	16,030,749	428,769	428,769	139,715	197,457	80,513,992	85,792,872	E	93,433,979	102,449,847

34. SEGMENT INFORMATION (CONT'D)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2017 RM	2016 RM
Property, plant and equipment written off	30,544	108,623
Impairment of other receivables	26,464	-
Share-based payments	31,548	125,753
Inventory written down	-	655,451
Inventory written off	-	60,446
	88,556	950,273

B The following items are deducted from segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	2017 RM	2016 RM
Dividend income from subsidiaries	(21,913,000)	-
Unallocated corporate expenses	(396,000)	(396,000)
	(22,309,000)	(396,000)

C Additions to non-current assets consist of:

	2017 RM	2016 RM
Property, plant and equipment	16,731,895	11,482,008
Biological assets	11,325,321	9,735,124
	28,057,216	21,217,132

D The following item is added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2017 RM	2016 RM
Income tax refundable	137,000	408,441

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

34. SEGMENT INFORMATION (CONT'D)

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2017 RM	2016 RM
Income tax payable	35,856	-
Deferred tax liabilities	44,617,373	31,955,404
Loans and borrowings	35,860,763	53,837,468
	80,513,992	85,792,872

35. DIVIDENDS

Recognised during the financial year

	2017 RM	2016 RM
Dividends on ordinary shares:		
- First and final single tier dividend of RM0.02 per share on 478,857,950 ordinary shares	9,577,159	-
- Interim single tier dividend of RM0.02 per share on 478,857,950 ordinary shares	9,577,159	-
	19,154,318	-

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2017, of RM0.03 per share on ordinary shares, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 13 April 2018.

SHAREHOLDINGS STRUCTURE
As at 30 March 2018

Issued & Paid-up Capital : RM239,510,360
Class of Shares : Ordinary shares
Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of holders	%	No. of shares	%
1 - 99	18	0.48	529	0.00
100 - 1,000	1,547	41.57	1,504,658	0.31
1,001 - 10,000	1,721	46.24	6,682,725	1.40
10,001 - 100,000	349	9.38	10,919,039	2.28
100,001 - 23,942,896 (*)	85	2.28	114,221,000	23.85
22,942,897 - and above (**)	2	0.05	345,529,999	72.16
TOTAL	3,722	100.00	478,857,950	100.00

* - Less than 5% of issued holdings
** - 5% and above of issued holdings

LIST OF TOP 30 SECURITIES ACCOUNT HOLDERS

No.	Name	No. of shares held	%
1.	Innoprise Corporation Sdn. Bhd.	240,469,407	50.22
2.	TSH Resources Berhad	105,060,592	21.94
3.	UOB Kay Hian Nominees (Asing) Sdn. Bhd.		
	Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	18,822,750	3.93
4.	Embun Yakin Sdn. Bhd.	10,587,750	2.21
5.	Mutual Corridor Sdn. Bhd.	10,004,000	2.09
6.	DB (Malaysia) Nominee (Asing) Sdn. Bhd.		
	Exempt AN for Bank of Singapore Limited	10,000,000	2.09
7.	Tunas Lestari Sdn. Bhd.	10,000,000	2.09
8.	Alliance Group Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Ngai Chee Ping (8053275)	5,257,650	1.10
9.	Angeline Wong Yu Ching	4,920,000	1.03
10.	RHB Capital Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Salbiah Binti Shuib	4,100,000	0.86
11.	Wong Chin Hor	3,733,200	0.78
12.	Kenanga Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Yap Pak Leong	3,474,600	0.73

SHAREHOLDINGS STRUCTURE
As at 30 March 2018

LIST OF TOP 30 SECURITIES ACCOUNT HOLDERS (CONT'D)

No.	Name	No. of shares held	%
13.	Suresh A/L Thirugnanam	3,018,750	0.63
14.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Tan Aik Pen (SMART)	2,300,000	0.48
15.	Lim Fook Hin	2,175,000	0.45
	Hong Leong Bank Bhd for Teh Shiou Cherng	2,037,400	0.43
17.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Salbiah Binti Shuib (MM0641)	1,971,000	0.41
18.	Alliance group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohan A/L Ramalingam (8059306)	1,595,000	0.33
19.	Teh Bee Gaik	1,045,000	0.22
20.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chua Thear Ho (CEB)	970,000	0.20
21.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	875,000	0.18
22.	Hildegard Maria Scheel	865,000	0.18
23.	Simfoni Bernas Sdn. Bhd.	815,000	0.17
24.	Tan Aik Kiong	750,000	0.16
25.	Embun Yakin Sdn. Bhd.	643,250	0.13
26.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan)(MYBK AM SC E)	600,000	0.13
27.	Mohd Fazli Bin Mazlan	538,700	0.11
28.	Lok Yan Fong	525,200	0.11
29.	Hong Weng Hwa	509,450	0.11
30.	Theresa Chan	500,000	0.10
	TOTAL	448,163,699	93.60

SHAREHOLDINGS STRUCTURE
As at 30 March 2018

SUBSTANTIAL SHAREHOLDINGS

According to the register to be kept under Section 144 of the Companies Act 2016, the following is the substantial shareholder of the Company having an interest of five percent (5%) or more of the aggregate of the amounts of all the voting shares of the Company:

No.	Name	No. of shares held	%
1.	Innoprise Corporation Sdn Bhd	240,479,407	50.22
2.	TSH Resources Berhad	105,060,592	21.94

DIRECTORS' SHAREHOLDINGS

According to the register to be kept under Section 59 of the Companies Act 2016, the directors' shareholdings in the Company are as follows:

		No. of shares held			
No.	Name	Direct	%	Indirect	%
1.	Datuk Hj. Majin Hj. Ajing	75,000	0.02	-	-
2.	Datuk (Dr.) Kelvin Tan Aik Pen	3,175,000	0.66	-	-
3.	Datuk Hj. Othman Bin Walat	434,750	0.09	-	-
4.	Lim Fook Hin	2,175,000	0.45	-	-
5.	Tan Aik Kiong (Alternate Director to Datuk (Dr.) Kelvin Tan Aik Pen)	750,000	0.16	-	-

Except for Datuk Hj. Majin Hj. Ajing, Datuk (Dr.) Kelvin Tan Aik Pen, Datuk Hj. Othman Bin Walat, Lim Fook Hin and Tan Aik Kiong, none of the other directors of the Company has any interest, direct or indirect, in the shares of the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 24th Annual General Meeting of the Company will be held at Belian Room, 7th Floor, Promenade Hotel, Eastern Plaza, Mile 1, Jalan Kuhara, 91000 Tawau, Sabah, on Monday, 21 May 2018 at 11:30 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.	**Please refer to Explanatory Notes (a)**
2.	To declare a final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2017;	**Resolution 1**
3.	To approve the payment of Directors' fees of RM252,000 for the Group for the financial year ended 31 December 2017;	**Resolution 2**
4.	To approve the payment of Directors' fees for the Group of an amount up to but not exceeding RM600,000 from 1 January 2018 until the next Annual General Meeting of the Company;	**Resolution 3**
5.	To approve the payment of Directors' allowances and benefits for the Group of an amount up to but not exceeding RM80,000 from 1 January 2018 until the next Annual General Meeting of the Company;	**Resolution 4**
6.	To re-elect the following directors, retiring pursuant to Article 90 of the Company's Constitution:	
	(a) Encik Lim Fook Hin	**Resolution 5**
	(b) Puan Hajah Ainahwati Binti Abd Sani	**Resolution 6**
7.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Resolution 7**

SPECIAL BUSINESS

8. To consider and if thought fit, to pass the following resolution:

   ORDINARY RESOLUTION
   Proposed Retention of Datuk Hj. Majin Hj. Ajing as an Independent Non-Executive Director — **Resolution 8**

   "THAT Datuk Hj. Majin Hj. Ajing who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company until the next Annual General Meeting."

NOTICE OF ANNUAL GENERAL MEETING

9. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION
Proposed Retention of Datuk Jaswant Singh Kler as an Independent Non-Executive Director **Resolution 9**

"THAT Datuk Jaswant Singh Kler who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company until the next Annual General Meeting."

10. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION
Authority to Issue Shares Pursuant to Section 76 of the Companies Act 2016 **Resolution 10**

"THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 76 of the Companies Act 2016, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued share in the Ordinary Share Capital of the Company for the time being and that the Directors be and are empowered to obtain the approvals from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

11. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION
Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 11**

"THAT approval be and is hereby given, for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2(a) of the Circular to Shareholders dated 23 April 2018 with the related parties described therein provided such transactions are necessary for the day to day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

AND THAT a New Shareholders' Mandate be and is hereby granted for the Company and/or its subsidiaries to enter into additional recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2(b) of the Circular to the Shareholders dated 23 April 2018 with the related parties described therein provided such transactions are necessary for the day to day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

NOTICE OF ANNUAL GENERAL MEETING

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors be and are hereby authorised to complete and do such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

12. To transact any other business of the Company of which due notice shall have been given to the Company in accordance with the Company's Constitution and the Act.

GENERAL MEETING RECORD OF DEPOSITORS

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 24th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 62(3) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 14 May 2018. Only a depositor whose name appears on the Record of Depositors as at 14 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final single tier dividend of 3 sen per ordinary share for the financial year ended 31 December 2017, if approved by the shareholders at the forthcoming Annual General Meeting will be paid on 20 June 2018 to depositors registered in the Record of Depositors at the close of business on 25 May 2018.

A depositor shall qualify for entitlement only in respect of:-

(a) Shares transferred into the depositor's securities account before 4.00 pm on 25 May 2018 in respect of transfers; and

(b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

Dorothy Luk Wei Kam (MAICSA7000414)
Chan Ai Hoon (LS0000393)

Company Secretaries

Kota Kinabalu, Sabah
Dated: 23 April 2018

NOTICE OF ANNUAL GENERAL MEETING

NOTES

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

(b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same meeting, the appointment shall be invalid unless he specified the proportions of his holdings to be represented by each proxy.

(c) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 6th Floor, Menara Tun Mustapha, Likas Bay, 88400 Kota Kinabalu, Sabah, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES

(a) Audited Financial Statements for Financial Year Ended 31 December 2017

Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, it will not be put forward for voting.

(b) Proposed Retention of Independent Non-Executive Director

In relation to the proposed Resolution 8 and 9, the Nomination Committee has assessed the independence of Datuk Hj. Majin Hj. Ajing and Datuk Jaswant Singh Kler who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years and more than nine (9) years respectively, and recommended that they continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

1) they have fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
2) they have ensured check and balance in the proceedings of the Board and the Board committees;
3) they have actively participated in Board deliberations, provided objectivity in decision making and an independent voice to the Board;
4) they have devoted sufficient time and attention to their responsibility as Independent Non-Executive Directors of the Company; and
5) they have exercised due care in the interest of the Company and shareholders during their tenure as Independent Non-Executive Directors of the Company.

In accordance with Practice 4.2 of the Malaysian Code on Corporate Governance, the retention of an independent director who has served the Company for a cumulative term of more than 12 years as an independent director is subject to shareholders' approval via a two-tier voting process.

NOTICE OF ANNUAL GENERAL MEETING

(c) Authority to Issue Shares pursuant to Section 76 of the Companies Act 2016

The proposed Resolution 10, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the total number of issued share in the Share Capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders on 23 May 2017. The Company did not utilise the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(d) Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution 11, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are directed to refer the Circular to Shareholders dated 23 April 2018 for more information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. The Directors who are standing for re-election at the 24th Annual General Meeting are:

   (a) Encik Lim Fook Hin
   (b) Puan Hajah Ainahwati Binti Abd Sani

   The details of the abovementioned Directors who are standing for re-election are disclosed in the Directors' Profiles appearing on pages 2 to 5 of the Annual Report and the shareholdings of the directors holdings shares in the Company are disclosed under "Directors' Shareholdings" on page 126 of the Annual Report.

2. A statement on the general mandate for issue of securities has been inserted under item (c) of the Explanatory Notes to the Notice of Annual General Meeting on page 131 of the Annual Report.

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INNOPRISE PLANTATIONS BERHAD

Company No. 285072-M
(Incorporated in Malaysia)

PROXY FORM

I/We, ____________________________________ of ____________________________________

____________________________________ being a Member/Members of INNOPRISE PLANTATIONS

BERHAD hereby appoint ____________________________________

or failing him ____________________________________

of ____________________________________

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company, to be held at Belian Room, 7th Floor, Promenade Hotel, Eastern Plaza, Mile 1, Jalan Kuhara, 91000 Tawau, Sabah, on Monday, 21 May 2018 at 11:30 am or any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated.

No.	Resolution	FOR	AGAINST
1	To declare a final single tier dividend of 3 sen per ordinary share.		
2	To approve the payment of Directors' fees for the Group for the financial year ended 31 December 2017.		
3	To approve the payment of Directors' fees for the Group from 1 January 2018 until the next Annual General Meeting.		
4	To approve the payment of Directors' allowances and benefits for the Group from 1 January 2018 until the next Annual General Meeting.		
5	To re-elect Encik Lim Fook Hin as Director.		
6	To re-elect Puan Hajah Ainahwati Binti Abd Sani as Director.		
7	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
8	To retain Datuk Hj. Majin Hj. Ajing as an Independent Non-Executive Director.		
9	To retain Datuk Jaswant Singh Kler as an Independent Non-Executive Director.		
10	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.		
11	Proposed Renewal of the Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit).

Dated this ____________________ day of ____________________ 2018

No. of Shares held	

____

Signature/Common Seal of Member(s)

Fold this for sealing

NOTES

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

(b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same meeting, the appointment shall be invalid unless he specified the proportions of his holdings to be represented by each proxy.

(c) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 6th Floor, Menara Tun Mustapha, Likas Bay, 88400 Kota Kinabalu, Sabah, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

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Affix
Stamp

The Company Secretary
INNOPRISE PLANTATIONS BERHAD (COMPANY NO. 285072-M)
6th Floor, Menara Tun Mustapha,
Likas Bay, 88400 Kota Kinabalu, Sabah.
Tel : 088 - 326 415
Fax : 088 - 432 104

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WWW.INNOPRISE.COM.MY

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