Management Discussion and Analysis

Sarawak Plantation Group is principally engaged in the cultivation and processing of oil palm into crude palm oil and palm kernel. The oil palm business contributes over 99% of the Group's revenue and earnings.

Overview of Business and Operation

(a) Oil Palm Business

The Group owns 20 oil palm estates, inclusive of 1 estate under the Native Customary Rights ("NCR") joint venture with a total planted hectarage of 34,837 hectares ("ha"), representing 72% of the total land bank of 48,086 ha (inclusive of 1,855 ha under NCR). The Group owns 2 palm oil mills with total operating capacity of 150 metric tonne per hour (mt/hour).

The bulk of oil palm operations are carried out by SPB's main subsidiary, Sarawak Plantation Agriculture Development Sdn Bhd ("SPAD"). The newly acquired subsidiary, Telliana Oil Palm Sdn Bhd, owns 3,050 ha of vacant land which will be developed into an oil palm plantation.

Mukah 1 Estate

The Group, through another subsidiary, SPB PELITA Suai Sdn Bhd ("SP Suai"), had in the year 1999/2000 developed and fully planted 1,855 ha of Native Customary Rights ("NCR") land with oil palm.

Tulai Estate

Most of the Group's harvested fresh fruit bunches ("FFB") are processed at the Group's Niah Palm Oil Mill and Mukah Palm Oil Mill. Niah Palm Oil Mill situated at Niah and Mukah Palm Oil Mill located at Mukah have an operating capacity of 90 mt/hour and 60 mt/hour respectively. Both mills also purchase crops from small holders, FFB traders and other third party estates.

Niah Palm Oil Mill

Management Discussion and Analysis

(b) Other Activities

Seed Production Unit

The Group's seed production unit has the capacity to produce 2 million seeds per annum. These high quality seeds carry the brand name of Surea DxP, are certified by SIRIM and are licensed for sale by the Malaysian Palm Oil Board ("MPOB"). These seeds are tested and proven to be able to provide high FFB yield, high oil-to-bunch ratio and low height increment.

Currently, these seeds are mainly for internal use with some sold to third parties. During the year, around 160,000 seeds were sold to third parties.

Cattle Integration

As part of integrated weed management, the Group initiated its cattle integration programme in year 2000 involving the rearing of cattle in oil palm plantations under the ("Pawah") scheme through the Department of Agriculture of Sarawak. The rationale for the project is to promote full utilization of mature oil palm areas by letting cattle graze on vegetation that is otherwise considered weeds.

Cattle integration benefits the participating estates as part of their integrated weed management programme. It's environmentally friendly and contributes towards achieving good agricultural practices and standards.

As at 31 December 2016, the Group has a total of around 1,200 heads of cattle.

Laboratory Services

In addition, the Group, through its subsidiary, Sarawak Plantation Services Sdn Bhd ("SPSSB"), owns a chemical laboratory, accredited by Skim Akreditasi Makmal Malaysia, which offers various laboratory analysis services to the Group and to external customers.

Training Centre

The Group operates a training centre named Sarawak Plantation Training Centre ("SPTC"). SPTC was set up in 2013 to provide subsidised plantation trainings to young people. The training centre is accredited under a National Dual Training System and represents a major Corporate Social Responsibilities ("CSR") initiative of the Group.

Strategic Innovation/Productivity Centre

In 2014, the Group established a Research and Development unit named Strategic Innovation/ Productivity Centre. The centre's main objective is to provide a platform for productivity improvements through creativity and innovation. The main focus is estate mechanisation to reduce labour dependency and to increase productivity. Hence the centre continously conducts trials to look for mechanisation methods best suited to increase productivity bearing in mind the physical conditions of the Group's estates.

Management Discussion and Analysis

Business Objectives and Strategies

The Group's strategic objectives are mapped out in the Group's 5-year Strategic Plan. The strategic objectives are set towards achieving the long term vision of the Group.

The immediate strategic objectives are to maintain a sustainable growth in revenue and earnings. Maximising oil palm production and yield is the most essential and critical business objective. In order to achieve this business objective, the Group focuses on effective plantation management and mechanisation to increase productivity. On the long run basis, wise use of agronomic inputs and good agronomic practices are emphasised in order to enhance yield level. Oil extraction rates are optimised through milling efficiency and oil loss minimisation.

Sustainable growth could be achieved through expansion of land bank and planted hectarage as well as diversification of business. Expansion of land bank for oil palm development is crucial and will bring future benefits to the Group. This could be achieved through continuous sourcing for expansion opportunities.

Diversification of business is a long term strategic move to reduce dependency on the oil palm business which currently contributes over 99% of the total revenue and earnings of the Group. The Group continues to explore new opportunities to venture into oil palm related business or other businesses. However, the Group is highly selective of any new investment and business opportunities and thus, careful assessments are required to evaluate its viability and risks.

The transformation management programme was initiated during the year with the objective to implement the Strategic Plan of the Group. The programme comprises various projects which are led by a project manager who was appointed among the heads of department. Each project has its objectives and targets to be met. The progress is reported on a quarterly basis to the steering committee.

Achievements of the Year

In carrying out the Group's strategies towards achieving its business objectives, the Group achieved several key milestone successes during the year under review.

(a) Expansion of Land Bank

Joint Venture

On 4 March 2016, SPB entered into a joint venture agreement with a statutory body for the development of 370 ha of land into an oil palm plantation. The land is situated at Karabungan, Niah Land District. A joint venture company named SPB PPES Karabungan Plantation Sdn Bhd ("SPB PPES Karabungan") was incorporated to undertake the said development. SPB and a statutory body own 70% and 30% of the equity interest of SPB PPES Karabungan respectively.

Acquisition of Subsidiary

On 1 July 2016, SPB completed the acquisition of 100% equity interest in Telliana Oil Palm Sdn Bhd ("TOPSB") for a total cash consideration of RM29.7 million. TOPSB owns 3,050 ha of vacant land located at Retus Land District.

Pinji Mewah estate

Management Discussion and Analysis

(a) Expansion of Land Bank (continued)

Acquisition of Oil Palm Estate

On 1 September 2016, SPAD entered into two Sale and Purchase Agreements with third parties to acquire two oil palm plantations, both situated in the Puyut Land District for a total cash consideration of RM76 million. As they are in close proximity to each other, these two plantations were merged into one estate and named Pinji Mewah Estate. This estate measures 1,908 ha.

About 89% of Pinji Mewah Estate is already planted with oil palm. The palms are aged between 1 to 4 years old.

The above acquisitions resulted in an increase of 11% of the Group's land bank as at 31 December 2016. These represent strategic investments by the Group and are expected to contribute positively to the earnings as well as the shareholders' value of the Company in the medium to long term.

(b) Growth in Planted and Matured Areas

The planted areas grew by 6% mainly contributed by additional planted areas of Pinji Mewah Estate and newly planted areas at the Group's existing estates, namely Bakau and Tulai Estates.

This growth will enable the Group to achieve higher production when the palms reach maturity in the years to come.

Bukut Estate

Similarly, matured areas grew by 7%, principally due to additional areas declared matured (including acquisition of Pinji Mewah Estate), partially offset by areas replanted during the year.

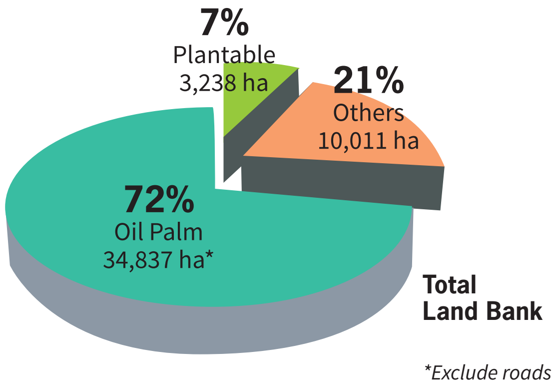
Review of Operating Activities

(a) Oil Palm Plantation

Area Statement

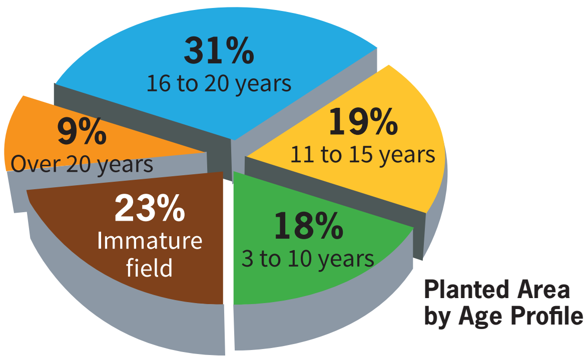
Total land bank of the Group grew from 43,128 ha in 2015 to 48,086 ha in 2016. The increase in land bank was brought about through the acquisitions of vacant land at Tugau Estate of 3,050 ha and Pinji Mewah Estate measuring 1,908 ha.

As at 31 December 2016, out of the total land bank of 48,086 ha, 34,837 ha are planted with oil palm of which 1,855 ha are under the NCR joint venture.



Age profile

As at 31 December 2016, the age profile of the Group's planted hectarage is shown as below:

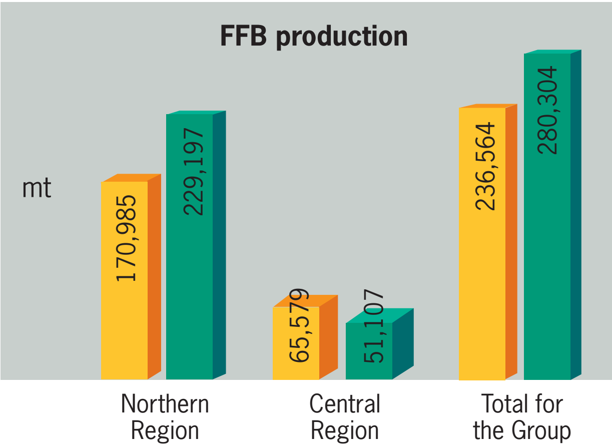


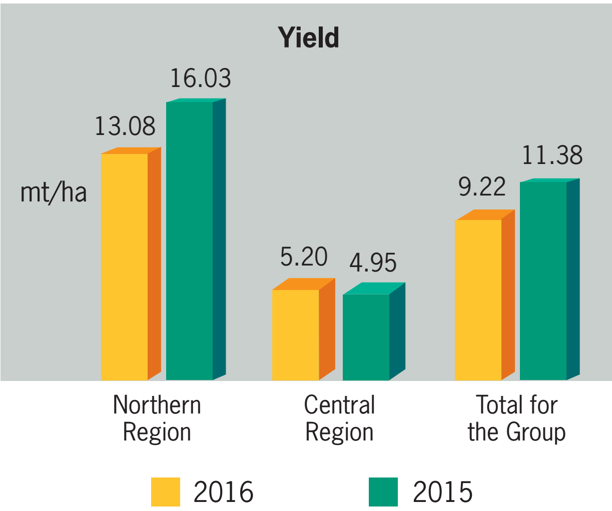
Management Discussion and Analysis

(a) Oil Palm Plantation (continued)

The immature and young mature fields represent 41% of the total planted areas and when these palms attain prime maturity, the production yield is expected to improve.

FFB production and yield





For the year 2016, the Group produced a total of 236,564 metric tonne (mt) of FFB. This represents a decrease of 16% or 43,740 mt compared to year 2015.

Lower production in 2016 was mainly attributed by lower production recorded for Northern Region estates. Northern Region estates recorded a total production of 170,985 mt and yield of 13.08 mt/ha in 2016 compared against production of 229,197 mt and yield of 16.03 mt/ha in 2015.

This lower production was mainly due to:

- Seasonal downtrend experienced by the oil palm industry;
- Replanting of 1,600 ha;
- Ganoderma infestation at Northern Region affecting approximately 1,500 ha; and
- Shortage of tall palm harvesters.

The Group has taken various steps to mitigate the effect arising from Ganoderma infestation and shortage of tall palm harvesters.

However, on a positive note, the production for Central Region grew by 28% from 51,107 mt in 2015 to 65,579 mt in 2016. Similarly, the yield improved from 4.95 mt/ha in 2015 to 5.20 mt/ha in 2016. The production growth in Central Region was principally due to the newly matured fields in Bakau, Bukut, Tulai and Melugu Estates.

The yield of the Group for year 2016 was 9.22 mt/ha, which was generally lower compared to industry standards. This was principally attributed to by:

- the inability to harvest from 1,855 ha at SP Suai due to a dispute with participants;
- local encumbrances at a few of our estates in the Central Region affecting approximately 6,200 ha;
- Ganoderma infestation as explained above.

Proactive steps continue to be taken with the ultimate objective of resolving the disputes and positive results were shown. As at end of 2016, around 1,400 ha were recovered. In 2016, these areas were either under rehabilitation or replanting. Currently the yield for these recovered areas have yet to be improved due to prolonged neglect in the past years. However, the yield is expected to pick up gradually.

Bakau estate

Management Discussion and Analysis

(a) Oil Palm Plantation (continued)

Mechanisation

Estate mechanisation

Labour shortage is a perennial issue for the industry. In order to mitigate labour shortage, the Group placed emphasis to upgrade the estate infrastructure to cater for mechanisation. Terrace widening at mature areas was the measure implemented to cater for mechanisation thus reducing labour requirements and improving field accessibility.

The current replanting and new planting areas are also structured to gear towards mechanisation with wider terrace construction as well as peat compaction.

Ladang Tiga Estate

New planting activities

New planting activities of around 400 ha during the year were mainly carried out in Central Region at Bakau Estate.

Kosa Estate

Replanting activities

Replanting activities are mainly carried out in Northern Region estates, namely Subis 2, Subis 3 and Kosa Estates over the past 3 years.

About 1,500 ha were cleared during the year. Around 1,600 ha were planted during the year which was inclusive of areas cleared in 2015. As at 31 December 2016, total areas under replanting were around 4,300 ha of which 3,400 ha have been planted. 15% of these planted areas will start yielding in early 2018 and the remaining areas will mature in subsequent years.

Management Discussion and Analysis

FFB grading

(b) Milling Operation

The Group's Niah Palm Oil Mill and Mukah Palm Oil Mill process its own estates' crops as well as crops purchased from smallholders, FFB traders and other third party estates.

The two mills processed a total of 581,850 mt of FFB for the year as compared to 647,701 mt in 2015. This also represented 65% utilisation of the combined milling capacity.

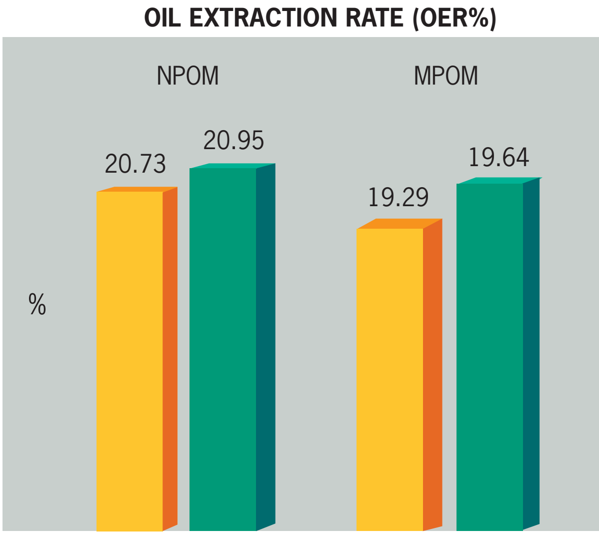
The decline was mainly due to:
- Lesser crops received from own estates; and
- A drop of 5% in crops purchased from external parties.

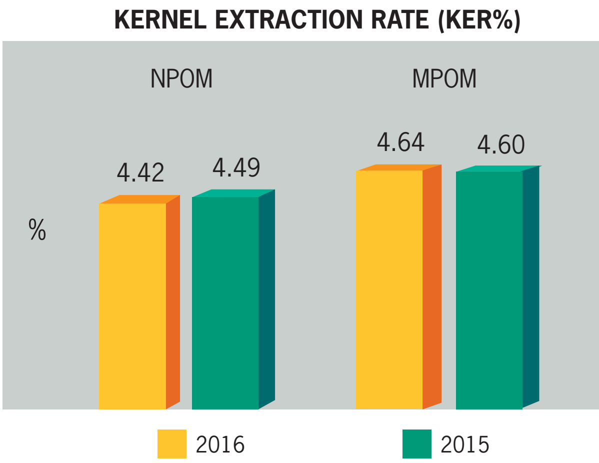
63% of the total FFB processed during the year was from purchase of crops from third parties.

Average oil and kernel extraction rates for both mills achieved for the year were 20.16% and 4.50% compared against 2015 of 20.46% and 4.53% respectively.

The receipt of small bunches from young mature areas, and varying quality (within acceptable limit) of FFB received from external parties and smallholders by our mills caused the lower OER during the year.

Kernel extraction rate was maintained at around 4.50% in 2016, a marginal deviation from 4.53% recorded in 2015.





<u>ISO certification for Niah Palm Oil Mill</u>

The Group places great emphasis on quality assurance and process improvements. The Group embarked on the process of obtaining ISO 9001:2008 (Quality Management System) and ISO 14001:2004 (Environmental Management System) in previous year.

The certification was obtained in February 2017. The ISO systems will enhance quality assurance and process efficiency at the mills.

Management Discussion and Analysis

(b) Milling Operation (continued)

Incinerator at Mukah Palm Oil Mill

The Board and Management of SPB Group always place high priority on health, safety and environment (HSE) matter in all operational activities especially on managing waste within palm oil mill.

One unit of empty fruit bunch (EFB) incinerator of 8mt capacity was constructed during the year. The incinerator is equipped with a scrubber system to control particulate emission in flue gas. Emission monitoring system for real time monitoring is also in place. The incinerator will produce bunch ash that is a useful "product" for soil conditioning in peat areas. Furthermore, empty fruit bunches could be systematically eradicated. Currently, the incinerator is in the testing and commissioning stage. It is expected to be in operation commencing second half of 2017.

Incinerator at Mukah Palm Oil Mill

Composting at Niah Palm Oil Mill

Another sustainable waste management practice is composting at Niah Palm Oil Mill.

Composting provides a viable alternative method for managing organic wastes and is a pragmatic approach in solving greenhouse gaseous emission arising from anaerobic conditions in POME ponding system. Composting also reduces the volume of empty fruit bunches.

Through the composting process, the final compost contains a considerable amount of nutrients needed by the palms and can be used as fertilisers and for soil amendment. The compost produced cater solely for the Group's own estates' requirements.

(c) Health, Safety and Environment (HSE)

The emphasis on occupational health and safety and environmental protection remains the key priority of the Group. These HSE measures are incorporated and embedded into the Group's business processes and operations.

Apart from ensuring continuous compliance to the legislative requirements, the Group also ensures business sustainability where every major operational HSE risk is identified, properly managed and appropriately controlled.

The following HSE activities were carried out during the year:

- HSE awareness roadshows at all operating units.
- Emergency fire drills at both mills, which were attended by Bomba.
- HSE audits on farm vehicles.
- HSE briefings to major contractors.
- Revision of HSE risk assessments for the estates and mills.

Workshop inspection

Management Discussion and Analysis

(c) Health, Safety and Environment (HSE)
(continued)

In addition to the above, the following continuous HSE actions were carried out on a regular basis or as and when they were required:

- HSE monitoring and inspections at critical work place.
- Positive chemical exposure monitoring for estates and mills.
- Monitoring of palm oil mill effluent at mills.
- Environmental assessments for new development and replanting areas.
- Environmental monitoring programmes for peat soil areas.

Fire Drill at mill

The Group will continue to place high emphasis on sound and effective HSE risk management in order to support its business objectives, as well as to remain competitive and productive and to maintain a people and environmental friendly operation.

Filtration of digested samples

(d) SP Lab

SP Lab offers analytical laboratory services for foliar, soil, fertiliser, water, food and bunch analysis to its customers. SP Lab's customers comprise SPB's own estates and mills, external plantation companies, food companies and state agencies within the Sarawak region. In addition, SP Lab also provides services to fertiliser suppliers and manufacturers, research and educational institutions.

For the year 2016, SP Lab analysed 8,860 samples and recorded a revenue of approximately RM800,000.

Financial Results and Financial Condition

(a) Revenue

95% of the Group's total revenue was mainly derived from the sale of CPO and PK.

The increase in revenue was mainly attributable to the favourable realised selling prices, partially offset by decline in sale volume.

Sale volume

	2016 mt	2015 mt	Change (%)
CPO	116,912	132,640	(12)
PK	25,961	29,607	(12)

The decline in sale volume by 12% was in line with lower FFB processed by both mills.

Realised selling price

Realised selling price was higher in 2016 compared to 2015, which was in line with the global price trends for CPO and PK.

	2016 RM/mt	2015 RM/mt	Change (%)
CPO	2,601	2,125	22
PK	2,406	1,469	64

Management Discussion and Analysis

(b) Net Profit

The Group recorded a net profit attributable to the owners of the Company of RM22.2 million for the year. This represents an increase of 4% compared against the net profit for the preceding year.

This increase in net profit was principally attributed to:

- the effect of increase in revenue;
- a reversal of prior year's impairment loss on deposits paid for acquisition of equity interest in four plantation companies of RM3.7 million (recognised as other non-operating income);

partially offsetted by:

- an increase in replanting expenditure;
- impairment losses of RM7.1 million mainly relating to a plantation under the Native Customary Rights (NCR) joint venture, SPB Pelita Suai Sdn Bhd.

In addition, there was a gain on disposal of land of RM5.8 million recognised as other income in the preceding year.

(c) Total Assets

Total assets grew from RM785.9 million in 2015 to RM903.7 million in 2016 principally due to acquisitions of plantation and land (refer pages 24 and 25), plantation development expenditure, infrastructure and buildings at the Group's existing estates.

Cash and cash equivalents were RM100.4 million compared against 2015 of RM103.7 million, a marginal decrease by 3%.

(d) Total Liabilities

Total liabilities increased from RM163.5 million to RM274.7 million principally due to increase in loans and borrowings to part finance the above two acquisitions and capital expenditure. Total liabilities also included balance purchase consideration of RM31.7 million relating to the above two acquisitions.

(e) Capital Expenditure

The Group's capital expenditure and acquisitions are funded by bank borrowings and/or internally generated funds. The Group has available term loan facility to partially fund the capital expenditure.

(f) Dividends

On 30 March 2016, the Company paid 4.5 sen per share of single tier, tax exempt dividend, totalling RM12.6 million, in respect of financial year ended 31 December 2015. No dividends were declared for the financial year ended 31 December 2016.

Anticipated and Known Risks

As a plantation company, the Group faces inherent risks pertaining to the oil palm industry. Such risks include but are not limited to inclement weather, pest and disease, volatility of commodity prices and manpower constraint.

Risk Management practices are embedded in the daily operations. Further details are contained in the Statement of Risk Management and Internal Control of this Annual Report.

Prospects and Outlook

The Malaysian palm oil production is expected to see a growth in 2017 after a hit in production in 2016 by El Nino. This was evidenced by the growth in Malaysia's CPO production in the first two months of 2017 compared against that of 2016.

Our production showed some recovery in 2017. However, the Group remains cautious as various issues such as Ganoderma infestation, shortage of harvesters and encumbrances at a few of the Group's estates continue to be major challenges for the Group.

Nevertheless, barring any unforeseen circumstances, new development and replanting activities that were carried out over the past years are expected to contribute to the Group's FFB production.

On the other hand, expected recovery in Malaysian palm oil production may cause decline in CPO price in 2017. The Group continues its focus in increasing productivity and efficiency as well as prudent spending.

Audit Committee's Report

The Board of Sarawak Plantation Berhad is pleased to present the Audit Committee's ("the Committee") Report for the financial year ended 31 December 2016.

1. Members and Meetings

The Committee Members during the financial year are as follows:-

No.	Name	Status of Directorship	Independent	Appointment/Resignation
1	Umang Nangku Jabu	Chairman-Independent Non Executive Director	Yes	Appointed on 16 June 2010
2	Datu Haji Chaiti bin Haji Bolhassan	Independent Non Executive Director	Yes	Appointed on 20 December 2012
3	Azizi bin Morni	Independent Non Executive Director	Yes	Appointed on 1 May 2007
4	Ali bin Adai	Independent Non Executive Director	Yes	Appointed on 24 April 2013

During the financial year, the Committee conducted 6 meetings. Details are as follow:-

No.	Name	No. of Meetings Attended	Attendance (%)
1	Umang Nangku Jabu	6/6	100
2	Datu Haji Chaiti bin Haji Bolhassan	6/6	100
3	Azizi bin Morni	6/6	100
4	Ali bin Adai	6/6	100

The Group's internal and external auditors and certain members of senior management attended the meetings by invitation during the financial year.

Details of the Committee Members' profiles are contained in the Board of Directors as set out on pages 11 to 14 of this Annual Report.

2. Summary of Work

The primary purpose of the audit committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations.

In addition, the Committee is authorized to carry out duties as mentioned below and has unrestricted access to all of the Group's records, properties and personnel to enable it to discharge its duties.

The summary of work carried out by the Committee included the following:

i. Financial Reporting and Compliance Statements

- Reviewed the quarterly results and annual financial statements of the Group and recommended the same to the Board for approval;

Audit Committee's Report

2. Summary of Work (continued)

ii. Internal Control and Statutory Compliance

- Evaluated existing policies, established audit quality and ensured compliance with the Group's policies;
- Provided assurance that the Group's goal and objectives were achieved and assets were safeguarded;
- Ensured that proper processes and procedures were in place to comply with all laws, regulations and rules established by relevant regulatory bodies;
- Reviewed related party transactions and conflict of interest situations that could had arisen.

iii. Internal Audit

- Reviewed all audit reports presented by the internal auditors, their findings and recommendations with respect to system and control weaknesses;
- Ensured the adequacy of the scope, functions and resources of the Internal Audit Department and that it had the necessary authority to carry out its work; and
- Reviewed and approved the annual audit plan proposed by the internal auditors;

iv. External Audit

- Reviewed the findings of the external auditors in relation to audit and accounting issues which arose from the audit and updates of new developments on accounting standards issued by the Malaysian Accounting Standard Board (MASB);

vii. Other Responsibilities

- Evaluated consultants and recommended their appointment to assess areas where special technical expertise is required as directed by the Board.

3. Internal Audit Function

The Group has an internal audit function whose primary responsibility is to undertake regular and systematic reviews of the system of internal control so as to provide reasonable assurance that this system continues to operate satisfactorily and effectively within the Group. The internal audit function adopts a risk-based audit methodology which is aligned with the risks of the Group to ensure that relevant controls addressing those risks are reviewed on a rotational basis.

The activities carried out by the internal audit include, amongst others:

- the review of the adequacy of risk management, system of internal control for effectiveness and efficiency,
- assessment of compliance with established rules, guidelines, laws and regulations,
- the review of reliability and integrity of information and means of safeguarding assets.

The Internal Audit Manager is responsible for enhancing the quality assurance and improvement programme of the internal audit function. In order to achieve this, the monitoring of its effectiveness is done through internal self-assessment tools and independent external assessment. The results will then be communicated to the Committee. The Internal Audit Manager reports directly to the Board Audit Committee.

The total costs incurred for the Group's internal audit function in respect of the financial year ended 31 December 2016 amounted to RM771,222.

Statement on Corporate Governance

The Board of Directors continues to remain focused on maintaining good corporate governance practices in the discharge of its duties and responsibilities towards the Company and its shareholders. The Board seeks to provide intellectual honesty and effective leadership which will challenge the Company into greater ethical and sustainable business performance.

In this statement, the Board conveys its assurance that it is mindful of the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (MCCG 2012). The Board will constantly review its conduct, processes and procedures to strive to adhere to the said Code.

I. Board of Directors

Roles and Responsibilities

The Board sets the vision and the strategies of the Company, placing great emphasis on enhancing shareholders' value and investors' confidence whilst maintaining a high standard of integrity. The Board also sets the framework for which the Company shall operate, in particular, the areas of corporate governance, internal controls, risk management, succession planning, business and investment strategies. The Board puts together its diverse expertise and experience to render advise and coaching to the Company. Its diverse expertise and experience also help to effectively monitor implementation of the visions and strategies which have been set.

Key areas reserved for the Board's approval include the annual budget, dividend declaration, expenditure beyond a certain limit, acquisitions/disposals of properties/materials of substantial value, appointment of consultants for specific assignments and changes to the Management and control structure within the Company.

In year 2016, the Board conducted quarterly reviews of its budget by comparing against the actual performance. The Board actively engaged with the Management to discuss strategic initiatives to achieve key targets set out in 2016 and the future years. Where necessary, alternative steps were taken to ensure achievement of targets.

Whilst the Board sets the policies and strategies, the implementation of the same and the day to day running of the operation of the Company rests with the Management. Authority is delegated from the Board to the Management through the Group Managing Director.

The full details of the roles and responsibilities of the Board of Directors are captured in the Board Charter. The Board Charter is reviewed periodically and as and when necessary so that it remains relevant to the expectations of the investing public and the shareholders of the Company.

The Company has in place a Code of Ethics which governs various aspects of the Company's business operations, eg. dealings in securities, dissemination of confidential information and confidentiality of information, conflict of interest and standard of acceptable conduct.

Sustainable practices are inherent in the business operations of the Group, particularly at the estates and the mills. Please refer to the Management Discussion and Analysis section on pages 22 to 31 for further details of the Group's sustainability practices.

Statement on Corporate Governance

I. Board of Directors (continued)

Board Meetings

In year 2016, the Board of Directors met five times.

The details of the individual director's attendance are as follows:

Name of Director	Date of Appointment / Designation	Meetings Attended	
		Number	Percentage (%)
Datuk Amar Abdul Hamed bin Sepawi	Appointed on 30 August 2005 Non Independent Non Executive Chairman	5/5	100
Polit bin Hamzah	Appointed on 1 May 2007 Group Managing Director (Since December 2012)	5/5	100
Hasmawati binti Sapawi	Appointed on 25 November 2011 Non Independent Non Executive Director	3/5	60
Umang Nangku Jabu	Appointed on 1 May 2007 Independent Non Executive Director	4/5	80
Datu Haji Chaiti bin Haji Bolhassan	Appointed on 30 August 2005 Independent Non Executive Director (Since December 2012)	5/5	100
Azizi bin Morni	Appointed on 1 May 2007 Independent Non Executive Director	5/5	100
Ali bin Adai	Appointed on 27 February 2013 Independent Non Executive Director	5/5	100

Statement on Corporate Governance

I. Board of Directors (continued)

Board Balance

The Board of Directors of the Company comprises seven directors, four of whom are independent. Of the remainder, one is an Executive Director and the other two are Non Independent Non Executive Directors. The Chairman of the Company is one of the Non Independent Non Executive Directors.

As the Chairman of the Board is not an independent director, the majority of the Board comprises independent directors. This puts the Company in line with the recommendation of MCCG 2012.

The Board practices non gender discrimination wherein directors are recruited based on their experience, skills, independence and diversity to meet the Company's needs. A brief profile of each director is provided on pages 11 to 14 of this Annual Report.

The membership of the Board of Directors reflects a broad range of diverse professional backgrounds, with wide ranging business and management experience and the expertise to plan and support the operations of the Company and to take it to greater heights of achievement.

Supply of Information

All Directors are supplied with ample information through board papers and have free access to the Management at all times to inquire or request for further information.

At Board Meetings, the Directors actively engage with the Management to review and discuss financial and operational information and progress reports relating to the crucial aspects of the operation. These papers are circulated to the Directors at least one week before the date of the Board Meetings.

The Board has in place a Corporate Disclosure Policy which governs how confidentiality is to be maintained and how confidential information is safeguarded within the Company and where the external parties are concerned. Both Directors and employees are constantly reminded of these procedures in order that leakage and improper use of such information can be prevented.

The Corporate Disclosure Policy also addresses circumstances where confidentiality undertaking must be executed between relevant parties to maintain confidentiality. Further, only certain top management executives are accorded the "designated person" status. These are persons through whom material and price sensitive information can be disclosed or announced.

The Board also places emphasis on the dissemination of information through information technology to the investing public. To facilitate easy access to relevant information, the Company has set up its website at www.spbgroup.com.my. This web page is continuously updated to keep the public abreast of the latest events taking place in the Company.

I. Board of Directors (continued)

Company Secretary

The Board of Directors, as a whole or as individuals, has direct access to advice and the dedicated support services from the Company Secretary in ensuring effective discharge of its roles and responsibilities. The Company Secretary also provides the Board with guidance on matters relating to good corporate governance practices, eg. disclosures, accountability and transparency.

The Company Secretary attends all Board Meetings. She ensures that the meetings are properly convened and that proceedings and deliberations are accurately minuted. The draft minutes of the Board Meetings are presented to the Board of Directors within a week of the meeting for their review and comments. She subsequently communicates pertinent decisions to the Management for appropriate actions to be taken. The Board of Directors is updated on the follow up actions / status of implementation of its decisions through the board papers which are compiled by the Company Secretary.

The Board of Directors is also brought up to speed with the latest amendments to legislation and corporate announcements released by Bursa Malaysia Securities Berhad (Bursa Securities). The Directors will be advised on how these amendments impact the Company by the Company Secretary. The Company Secretary will also notify the Directors of any and the impending restriction in dealing with the securities of the Company at least one month prior to the announcement of the quarterly results.

The Board is satisfied with the performance and support rendered by the Company Secretary.

Appointments to the Board

Since the listing of the Company on 28 August 2007, only two new Directors have been appointed to the Board. For these appointments, the Company has in place an evaluation process which was carried out by the Remuneration and Nomination Committee.

Re-election of Directors

In accordance with the Company's Articles of Association, one third or the numbers closest to one third of the Directors for the time being shall retire from their office and be eligible for re-election provided always that all the Directors shall retire from their office at least once in every three years. Any person elected by the Board either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next annual general meeting and shall then be eligible for re-election.

Commitment of Directors

The Board is satisfied with the level of commitment of all the Directors. One of the markers of commitments reflected through their attendance at Board Meetings and the Board Committee Meetings. Please refer to page 35 for further details of the Directors' attendance at meetings. Directors also participate actively at meetings which shows that they have a firm grasp of the business.

The Directors also submit a statement on the number of directorships they hold on a bi annual basis. The Directors are aware that they must not hold more than five Public Listed Company directorships at any one time. In any event, the Directors are reminded that they must inform the Company Secretary immediately of any new appointments that they accept.

In order to help Directors set aside their time for the Company's affairs, the annual corporate calendar is distributed to each Director before the year end. The dates of the scheduled Board Meetings, Board Committee Meetings, Annual General Meeting and the closed period dates are stated in the annual corporate calendar for the Directors to take note.

Statement on Corporate Governance

II. Board Committees

To assist the Board to discharge its responsibilities effectively, the Board Audit Committee, the Remuneration and Nomination Committee and the Risk Management Committee were set up. The Board Audit Committee has been set up since 11 November 2000, the Risk Management Committee and the Remuneration and Nomination Committee were both set up on 1 May 2007.

The Committees listed below do not have executive powers but report to the Board of Directors on all matters considered and submit their recommendations to the Board for its approval.

Board Audit Committee

The Board Audit Committee was established on 11 November 2000. It provides assistance to the Board of Directors in fulfilling its statutory and fiduciary responsibilities by examining and monitoring the Company's accounting and financial reporting practices. It also serves as an independent and objective party in the review of financial information presented by the Management for distribution to shareholders and the general public.

The Board Audit Committee meets with the External Auditor at least three times a year. The scope of the External Auditor's audit and their findings are usually discussed at length at these sessions.

The Board Audit Committee also holds independent meetings with the External Auditor to better assess their performance and to provide the latter an opportunity to highlight issues, if any, in the absence of the Management.

The Board Audit Committee receives confirmation from the External Auditor of their independence annually.

The Board Audit Committee comprises exclusively of independent directors. The details are as follows:

Name of Committee Member	Designation
Umang Nangku Jabu	Chairman - Independent Non Executive Director
Datu Haji Chaiti bin Haji Bolhassan	Independent Non Executive Director
Azizi bin Morni	Independent Non Executive Director
Ali bin Adai	Independent Non Executive Director

The terms of reference of the Board Audit Committee are found in the Company's Website and the Audit Committee's Report are set out on pages 32 to 33 of this Annual Report. The works carried out by the Board Audit Committee for the year ended 31 December 2016 are also set out in the Audit Committee's Report.

II. Board Committees (continued)

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established on 1 May 2007. It seeks to establish a remuneration policy which attracts, maintains and retains a set of Directors and top management executives of requisite caliber to propel the Company towards greater prospects and growth. The remuneration packages are linked to seniority, position, experience, time commitment and the Company's overall performance. The Remuneration and Nomination Committee also seeks to establish a formal and transparent procedure for the appointment of new directors to the Board and top management executives. Further the Remuneration and Nomination Committee also conducts formal assessment on the Board's effectiveness as a whole including the Chairman and the Group Managing Director, the contribution of each Director and the various Board Committees.

In year 2016, the Remuneration and Nomination Committee met twice.

The Remuneration and Nomination Committee comprises exclusively of non executive directors, the majority of whom are independent. The details are as follows:

Name of Committee Member	Designation
Datuk Amar Abdul Hamed bin Sepawi	Chairman - Non Independent Non Executive Director
Datu Haji Chaiti bin Haji Bolhassan	Independent Non Executive Director
Azizi bin Morni	Independent Non Executive Director

The terms of reference of the Remuneration and Nomination Committee are found in the Company's Website.

Risk Management Committee

The Risk Management Committee was established on 1 May 2007. It forms an integral part of the effective management of the Company and it seeks to identify and address principal risk areas which include business, environment, human capital, safety, security and operation of the Company with the aim of preventing and mitigating these risks.

In year 2016, the Risk Management Committee met once.

The Risk Management Committee comprises the following members:

Name of Committee Member	Designation
Polit bin Hamzah	Chairman - Group Managing Director
Azizi bin Morni	Independent Non Executive Director
Ali bin Adai	Independent Non Executive Director

The terms of reference of the Risk Management Committee are found in the Company's Website.

Statement on Corporate Governance

III. Directors' Training

All Directors have attended the Directors' Mandatory Accreditation Programme organised by Bursatra Sdn. Bhd. As part of our Directors' continuous training programme, our directors have attended the trainings as stated below:

Name of Director	Brief Description of Training
Datuk Amar Abdul Hamed bin Sepawi	- The New Companies Act 2015 (Navigating the Changes and Practical Insight of the New Law)
Datu Haji Chaiti bin Haji Bolhassan	- Global Transformation Forum 2017
Hasmawati binti Sapawi	- Recent Amendments of the Listing Requirements by Bursa Malaysia & Corporate Sustainability & Issuance of Sustainability Statements
Polit bin Hamzah	- Malaysian Sustainable Palm Oil (MSPO) Briefing - The New Malaysian Code on Corporate Governance (MCCG) 2016 & Drafting the Management Discussion & Analysis ("MD&A")
Azizi bin Morni	- Qualified Risk Director - Risk Oversight Practices - Establishing an Improved Board Risk Committee
Umang Nangku Jabu	- KPMG Tax Seminar 2017 Budget
Ali bin Adai	- NATSEM 2016 - Factors Impacting the Competitiveness of the Palm Oil Industry

IV. Directors' Remuneration

The fees of the Non Executive Directors are recommended by the Remuneration and Nomination Committee and endorsed by the Board of Directors. The same will be tabled to the shareholders for approval at the Annual General Meeting. The remuneration and benefits of the Executive Director is reviewed by the Remuneration and Nomination Committee based on the individual Directors' performance and that of the Company and approved by the Board of Directors.

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

	Executive Director (RM)		Non Executive Directors (RM)		Total (RM)	
	Group	Company	Group	Company	Group	Company
Fees	147,750	81,750	1,165,500	1,051,500	1,313,250	1,133,250
Salary	639,600	-	-	-	639,600	-
Other Emoluments	244,908	-	-	-	244,908	-
Meeting Allowance	9,500	3,500	41,500	32,000	51,000	35,500
Total	1,041,758	85,250	1,207,000	1,083,500	2,248,758	1,168,750

The Group's directors' remuneration of RM2,248,758 as shown above is inclusive of the directors' remuneration for the Company of RM1,168,750. The directors' fees for the Company of RM1,133,250 are subject to the shareholders' approval at the Annual General Meeting. (Refer Ordinary Resolution 1 of the Notice of Annual General Meeting on page 151.)

Statement on Corporate Governance

IV. Directors' Remuneration (continued)

The aggregate remuneration of the Directors of the Company for the year in the respective bands is as stated below:

	Executive Director	Non Executive Directors	Total
RM50,001 - RM100,000		2	2
RM100,001 - RM150,000		3	3
RM150,001 - RM200,000			
RM200,001 - RM250,000			
RM250,001 - RM300,000			
RM300,001 - RM350,000			
RM350,001 - RM400,000			
RM400,001 - RM450,000			
RM450,001 - RM500,000			
RM500,001 - RM550,000			
RM550,001 - RM600,000			
RM600,001 - RM650,000			
RM650,001 - RM700,000		1	1
RM700,001 - RM750,000			
RM750,001 - RM800,000			
RM800,001 - RM850,000			
RM850,001 - RM900,000			
RM900,001 - RM950,000			
RM950,001 - RM1,000,000			
RM1,000,001 - RM1,050,000	1		1

V. Shareholder Communication and Investor Relations

Shareholder and Investor Communication

The Company recognises the importance of effective communication with its shareholders and investors.

The Board is committed to ensure that information with regards to major corporate developments and events are disseminated through the following channels:

- Annual Reports
- Various disclosures and announcements made to Bursa Malaysia Securities Berhad
- Press release and press statements
- Circular to shareholders
- Company's website at www.spbgroup.com.my

V. Shareholder Communication and Investor Relations (continued)

Shareholder and Investor Communication (continued)

Further, the investment community, comprising individuals, analysts, fund managers and other stakeholders, have dialogues with the Company's representatives on a regular basis. This enables the investors to get a balanced understanding of the main issues and concerns affecting the Company. Discussions at such meetings and dialogues are restricted to matters that are in the public domain.

Whilst the Company endeavours to provide as much information as possible to its shareholders and investors, it is also wary of the legal and regulatory framework governing the release of material and price-sensitive information.

Annual General Meeting (AGM)

AGMs act as another source of communication with the shareholders of the Company. Shareholders are given more than 21 days of notice of the date of the AGMs, giving them sufficient time to prepare for attendance at the meeting. This is the platform at which shareholders are encouraged to participate actively through question and answer sessions with the Directors to better inform themselves of the financial and operational performance of the Company. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

In line with the provisions of Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the accompanying Notice of AGM found on pages 151 to 154 will be voted on and passed by shareholders via poll. An independent scrutineer shall be appointed to undertake the polling process.

VI. Accountability and Audit

Financial Reporting

The Board of Directors is responsible for presenting a balanced, clear and comprehensive assessment of the Company's financial performance through the interim and annual financial statements to shareholders. The Board of Directors has to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act 1965 and the Financial Reporting Standards. In presenting the financial statements, the Board of Directors has reviewed and ensured that appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates.

Internal Control

The Board of Directors assumes the responsibility for the Company to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets, as well as reviewing the adequacy and effectiveness of the system of internal control.

The Board of Directors also recognises that due to the limitations inherent in any internal control, such system of internal control is designed to manage and mitigate risks that may impede the Company's achievement of its objectives rather than eliminate these risks. Accordingly, the system of internal control can only provide reasonable but not absolute assurance against any material misstatements, loss or fraud. The Directors' Statement on Risk Management and Internal Control as set out on pages 44 to 45 of this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' interests and the Company's assets.

VI. Accountability and Audit (continued)

Statement of Compliance with the best practices of MCCG 2012

The Board of Directors is committed to uphold high standards of professionalism and excellent corporate governance practices in the running of the affairs of the Company. The Board of Directors is pleased to confirm that it has complied with the best practices of MCCG 2012 during the year in review.

Board Audit Committee

The Company has an internal audit function which reports directly to the Board Audit Committee. A Report from the Board Audit Committee is tabled to the Board of Directors at their scheduled meetings for their information and further action where appropriate.

Relationship with the External Auditors

The Board of Directors, via its Board Audit Committee, maintains a formal and transparent relationship with its external auditors. The Board Audit Committee meets with external auditors at least thrice a year to discuss their audit plan, audit findings and to ensure that financial statements of the Company comply with approved accounting standards and statutory requirements. These meetings are held independently of the Executive Director and the Management.

External auditors are also present at the annual general meeting of the Company and are available to answer shareholders' queries on the conduct of the statutory audit.

VII. Other Information

Audit and Non Audit Fees

The amount of audit fees paid/payable to the Company's auditors KPMG PLT for the Group and the Company amounted to RM186,000 and RM50,000 respectively.

The amount of non audit fees incurred by the Company for services, for example tax compliance services, review of the compilation of realised and unrealised profits, Interim Reports and Statement on Risk Management and Internal Control rendered by the external auditors, KPMG PLT and its affiliates to the Company and its subsidiaries during the financial year ended 31 December 2016 amounted to RM234,600 and RM55,870 for the Group and the Company, respectively.

Material Contracts

There were no material contracts of the Company and its subsidiaries involving the Directors and/or major shareholders either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Recurrent Related Party Transactions of a Revenue or Trading Nature

Related party transactions are reviewed by the Board Audit Committee at its scheduled meetings or sooner if necessary.

For further details on the recurrent related party transactions of a revenue or trading nature of the Group conducted during the financial year ended 31 December 2016, please refer to Recurrent Related Party Transactions (RRPT) set out on page 147 of this Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 29 March 2017.

Statement on Risk Management and Internal Control

This Statement is made pursuant to the Listing Requirements of Bursa Malaysia and is guided by the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

Board Responsibilities

The Board acknowledges its responsibility towards the Group to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board is responsible for reviewing the adequacy and effectiveness of risk management and the system of internal control. A sound risk management and internal control system includes the establishment of an appropriate control environment and framework, encompassing financial, operational and compliance controls and management of risks throughout its operations.

Due to the limitations inherent in any risk management and internal control system, the Group's system is designed to manage and mitigate risks that may impede the Group's achievements of its objectives rather than eliminate these risks. Accordingly, the system of risk management and internal control can only provide reasonable but not absolute assurance against any material misstatement or loss arising from the possibility of poor judgment in decision making, management overriding controls, loss and the occurrence of unforeseeable circumstances. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

The Group has in place, an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in its achievement of objectives and strategies.

Risk Management

The Board regards risk management as an integral part of effective management of the business and operation of the Group which can directly affect its ability to implement its strategies and achieve its objectives.

Risk Management Committee

The Risk Management Committee, comprising representatives from the Board and the Management, assists the Board in strengthening and monitoring the risk management practices of the Group.

Risk Management Policy & Risk Profile

The Group established its Risk Management Policy and Risk Profile in 2008. The Group's approved Risk Management Policy outlines the policies and procedures for implementing, reviewing, evaluating and monitoring the principal risks of the Group.

The approved Risk Profile, consists of identified principal risks, strategies, controls and management actions in addressing such risks, which include examining the business operational risks in critical areas, potential impacts and identifying measures and time frame to mitigate those risks.

The Management periodically reviews the measures taken to manage those identified risks. The results of and the recommendations arising from the review are tabled to the Risk Management Committee before the Risk Profile is updated. The updated Risk Profile is deliberated by the Risk Management Committee and thereafter presented to the Board.

Internal Controls

The Group's internal control system encompasses the following:-

Authority and Responsibilities

There is a defined organisation structure with clearly established responsibilities and delegation of authority for the Management and Board Committees.

Policies and Procedures

There are Standard Operating Policies and Procedures setting out the operating controls pertaining to plantation, mill operation, process and engineering, health and safety, finance, human resource, marketing, information technology, tendering and internal audit. These are reviewed and updated to reflect changes in the business environment and legal requirements.

Planning, Monitoring and Reporting

Annual detailed budgeting is carried out whereby operating units prepare their budgets and business plans for consolidation and review by the Management.

Statement on Risk Management and Internal Control

Internal Controls (continued)

The consolidated management budget is thereafter aligned to the corporate objectives and strategies of the Group and presented to the Board for deliberation and approval.

Management performance reports are prepared for review by the Board on a quarterly basis. Any significant deviation from the budget and parameters set by the Board would be investigated, explained and presented to the Board.

Management meetings are held to review the Group's operations. This review includes analysing the performance of the Group and addressing the key operational issues faced thereby.

Internal and external audits are conducted once a year on our SP Lab, in accordance with predetermined schedules and procedures, to verify that its operations comply with the requirements of the management system and MS ISO/IEC: 17025:2005 standard. The internal audits are conducted by certified auditors appointed by the Group whereas the external audits are conducted by Department of Standards Malaysia.

Internal Audit and Board Audit Committee

The Internal Audit Department reports directly to the Board Audit Committee on a quarterly basis, the results of works carried out in accordance with its Audit Plan as approved by the Board Audit Committee. The internal audit function performs periodic reviews on critical business processes to identify any significant risks, assess the effectiveness and adequacy of the system of internal control and where necessary, recommends areas for improvements.

The Board Audit Committee receives reports from both internal and external auditors. The Audit Committee regularly reviews the reports and holds discussions with the Management on the actions taken on identified internal control issues. Deliberations and recommendations by the Board Audit Committee are presented to the Board at the latter's scheduled meetings.

Conclusion

The Board confirms that its risk management and internal control system are operationally adequate and effective throughout the year under review and up to the date of approval of the Annual Report.

In addition, the Board remains committed towards operating an effective risk management framework and a sound system of internal control and recognises that these must continuously evolve to support the type of business and size of operations of the Group. As such, the Board, in striving for continuous improvement will put in place proper action plans, when necessary, to further enhance the Group's system of risk management and internal control.

The Group's system of risk management and internal control applies to the Company and its subsidiaries only and does not cover its associated company.

The Board has received assurance from the Group Managing Director and the Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk framework adopted by the Group.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that caused them to believe that the statement to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers or

(b) is factually inaccurate.

RPG 5 (Revised) 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 Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board of Directors dated 29 March 2017.

Corporate Social Responsibility

Sarawak Plantation Berhad (SPB) aims to strike a balance between good economic performance and its responsibility as a corporate citizen committed to a sustainable approach in doing business that benefits its stakeholders, customers, employees and the community in general.

Environment

Preservation and protection of the natural environment are given similar emphasis and priority as its main business activities of the Group. In preserving the natural environment, the following measures were implemented at all units and project sites:

(a) zero burning policy;

(b) riparian zones are established along all main streams and waterways;

(c) cover crops are planted in the fields to minimise the risk of soil erosion and at the same time improve soil nutrient contents;

(d) domestic and construction wastes are properly managed and disposed, and scheduled wastes are discarded by authorised collection agents;

(e) application of biological controls are implemented at the estates, and integrated into their pests and diseases control management;

(f) apart from half-yearly isokinetic testing, continuous emission monitoring systems (CEMS) linked to Department of Environment (DOE) monitoring centre are installed at both mills for monitoring particulate emission from boiler chimneys;

(g) palm oil mill effluent is treated to the quality set by the authority before being discharged into the watercourse;

(h) empty bunches produced by the mill are incinerated, used as mulch for soil preservation in the fields and transformed into natural compost; and

Apart from the above, environmental impact assessments were carried out for new land development and replanting areas.

Health and Safety

Occupational health and safety are essential in carrying out the operations of the Group. Health and wellness programmes continue to be the primary focus of the Group.

Please refer to the HSE Section on pages 29 & 30 of this Annual Report for further details.

Safety Inspection at Palm Oil Mill

Corporate Social Responsibility

Workers' Quarters

Community Learning Centre

Workplace

The Group strives to provide every employee with a safe, comfortable and conducive working and living (if relevant) areas.

They are provided with ample modern amenities at the Group's estates and mills. They enjoy well-maintained infrastructure and facilities such as roads, schools, clinics, transportation, playgrounds, sports facilities, community halls, places of worship and telecommunication facilities.

Recreational activities are organised for the employees during the year. Events such as the Labour Day Celebrations, "Majlis Berbuka Puasa" and the "Majlis Korban" were organised at estate and mill levels where the employees and workers mingled with each other in the spirit of camaraderie.

Staff Quarters

Community

The Group continues to support local communities through monetary donations, donations of equipment and materials and through outreach activities.

During the year, the Group's CSR emphasized on contributions to scientific and educational fields relating to oil palm industries.

The Group's key corporate social responsibilities (CSR) for the year are as follows:

(a) Sponsorship and participation at the 15th International Peat Congress 2016 organised by the Malaysian Peat Society;

(b) Sponsorship and participation at the Technology & Innovation National Conference 2016 (Techon 2016) organised by Politeknik Mukah;

(c) Contribution to "Hari Alam Sekitar" (HASN) at National Level 2016;

(d) Contribution to the "Hari Bersama Ahli (Pusat Pembangunan Kemahiran Sarawak - PPKS)";

(e) Donations to various schools at nearby estates.

(f) The Community Learning Centre (CLC) in Ladang 3, for the children of the Indonesian workers was officially established and in operation since 2016.

Investor Relations

Briefing to analysts and fund managers

The Board and Management of the Group have always believed in building and maintaining a mutually beneficial long term relationship with its stakeholders.

The Investor Relations (IR) activities are conducted so as to consistently update and provide shareholders, institutional investors and research analysts with comprehensive, transparent and prompt information about the Group. This is a way of allowing the Group's existing and potential shareholders and investors to have an informed and realistic opinion of the Group's growth, strategic positioning and associated opportunities as well as risks.

Other ways of achieving the objective include timely announcement of the Company's quarterly financial reports and other material information as required by Bursa Malaysia.

To develop a long-term relationship of trust among existing and future shareholders, SPB also engages in other forms of IR activities such as briefing and meetings with fund managers and analysts. It is through such IR activities that the Group's corporate management strategies and current developments are discussed with interested parties who will gain a balanced overview of the Group.

Such IR activities are led and conducted by the Group Managing Director, assisted by members of the management team.

These activities promote interaction between investors, analysts and key members of the management team.

Diary of Corporate Events

11 January 2016

SPB 2016
New Year Message

20 January 2016

Dialogue with YB Datuk Hajah Fatimah Abdullah at the Community Learning Centre (CLC)

23 February 2016

Signing Ceremony of QE 5S Certification for SP Lab

20 May 2016

SPB's 19th Annual General Meeting

28 May 2016

Labour Day Fun Games

25 June 2016

Programme during Ramadhan

3 August 2016

Ramah Tamah Aidilfitri

15 August 2016

Participation in the 15th International PEAT Congress

15 September 2016

Distribution of Korban Meat at Northern Region

19 September 2016

Distribution of Korban Meat at Central Region

22 October 2016

Handing over of Certificate of Establishment for CLC

11 November 2016

Undergraduate's visit at SP Lab

Financial Statements

for the financial year ended 31 December 2016

STATEMENT ON DIRECTORS' RESPONSIBILITY

For Preparing The Annual Financial Statements

The Board of Directors is required by the Companies Act 1965 ("the Act") to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company at the end of every financial year and of the results and cash flows of the Group and the Company for every financial year.

As required by the Act, the financial statements have been prepared in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors have considered that in preparing the financial statements for the financial year ended 31 December 2016, appropriate accounting policies have been adopted and are consistently applied and supported by reasonable and prudent judgements and estimates. These estimates and judgements in applying the accounting policies of the Group and the Company are based on the Directors' best knowledge of current events and actions.

The Directors have the responsibility to ensure that the Group and the Company maintain proper accounting records which disclose with reasonable accuracy the financial position and performance of the Group and the Company and also to ensure that the financial statements comply with the Act. The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

The statement is made in accordance with a resolution of the Board of Directors dated 29 March 2017.

Directors' Report

for the financial year ended 31 December 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The Company is principally engaged in investment holding while the principal activities of the subsidiaries are stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in note 5 to the financial statements.

Results

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	22,211,066	17,478,551
Non-controlling interests	(2,880,553)	-
	19,330,513	17,478,551

Dividends

Since the end of the previous financial year, the Company paid a first interim single-tier exempt dividend of 4.5 sen per ordinary share of RM1.00 each totalling RM12,580,375 in respect of the financial year ended 31 December 2015 on 30 March 2016.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Reserves and provisions

There was no material transfer to or from reserves and provisions during the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Datuk Amar Abdul Hamed Bin Sepawi
Polit Bin Hamzah
Hasmawati Binti Sapawi
Umang Nangku Jabu
Datu Haji Chiti @ Chaiti Bin Haji Bolhassan
Azizi Bin Morni
Ali Bin Adai

Directors' Report
for the financial year ended 31 December 2016

Directors' interests in shares

The interests of the Directors, including the interests of their spouses or children who themselves are not directors of the Company, in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Direct interests in the Company				
Datuk Amar Abdul Hamed Bin Sepawi	200,000	-	-	200,000
Polit Bin Hamzah	50,000	-	-	50,000
Umang Nangku Jabu	50,000	-	-	50,000
Datu Haji Chiti @ Chaiti Bin Haji Bolhassan	100,000	-	-	100,000
Deemed interests in the Company				
Datuk Amar Abdul Hamed Bin Sepawi	84,994,424	-	-	84,994,424

By virtue of their interests in the shares of the Company, Datuk Amar Abdul Hamed Bin Sepawi is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Sarawak Plantation Berhad has an interest.

	Number of ordinary shares of RM1.00 each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Deemed interests in SPB Pelita Suai Sdn. Bhd:				
Datuk Amar Abdul Hamed Bin Sepawi	1,596,000	-	-	1,596,000
Deemed interests in Sarawak Plantation Services Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Sepawi	95,000	-	-	95,000
Deemed interests in Azaria Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Sepawi	3	-	-	3
Deemed interests in SPB PPES Karabungan Plantation Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Sepawi	70	-	-	70

The other Directors, Hasmawati Binti Sapawi, Azizi Bin Morni and Ali Bin Adai had no interests in the shares of the Company and of its related corporations during and at the end of the financial year.

Directors' Report
for the financial year ended 31 December 2016

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements of the Company or of its related corporations, as the case may be) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than a Director who has significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business (see Note 32 to the financial statements).

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were neither changes in the authorised, issued and paid-up capital of the Company, nor issuances of debentures by the Company, during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance

During the financial year, the sum insured under the Directors and Officers Liability Insurance is RM5,000,000.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report
for the financial year ended 31 December 2016

Other statutory information (continued)

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report, other than:

i) impairment loss recognised on plantation development expenditure of RM5,842,608; and

ii) reversal of impairment loss on deposit paid of RM3,700,000 for the Group.

Auditors

The auditors, Messrs KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 20 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Datuk Amar Abdul Hamed Bin Sepawi
Director

....

Polit Bin Hamzah
Director

Kuching,

Date: 29 March 2017

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Assets					
Property, plant and equipment	3	384,585,715	314,599,717	2,515	2,809
Plantation development expenditure	4	354,742,095	297,275,115	-	-
Investment in subsidiaries	5	-	-	327,052,482	297,284,315
Investment in an associate	6	-	-	-	-
Investment properties	7	4,621,471	4,787,751	-	-
Trade and other receivables	8	-	-	-	30,783,967
Total non-current assets		743,949,281	616,662,583	327,054,997	328,071,091
Inventories	9	18,092,259	18,715,326	-	-
Other investments	10	9,465,481	14,403,763	-	-
Trade and other receivables	8	26,070,010	16,454,031	1,613,765	330,522
Prepayments and other assets	11	4,592,680	11,137,853	121,177	6,075,186
Current tax recoverable		155,863	3,882,182	28,999	-
Cash and cash equivalents	12	100,396,897	103,659,937	72,866,496	52,656,817
		158,773,190	168,253,092	74,630,437	59,062,525
Assets classified as held for sale	13	949,060	949,060	-	-
Total current assets		159,722,250	169,202,152	74,630,437	59,062,525
Total assets		903,671,531	785,864,735	401,685,434	387,133,616
Equity					
Share capital		280,000,000	280,000,000	280,000,000	280,000,000
Share premium		60,968,951	60,968,951	60,968,951	60,968,951
Reserves		297,862,467	288,231,776	49,638,849	44,740,673
Total equity attributable to owners of the Company	14	638,831,418	629,200,727	390,607,800	385,709,624
Non-controlling interests	5	(9,844,818)	(6,841,795)	-	-
Total equity		628,986,600	622,358,932	390,607,800	385,709,624
Liabilities					
Deferred tax liabilities	15	53,440,000	54,643,410	-	-
Loans and borrowings	16	89,942,540	21,368,534	-	-
Total non-current liabilities		143,382,540	76,011,944	-	-
Trade and other payables	17	88,361,212	41,243,049	11,077,634	1,353,991
Loans and borrowings	16	42,925,410	46,030,040	-	-
Current tax payable		15,769	220,770	-	70,001
Total current liabilities		131,302,391	87,493,859	11,077,634	1,423,992
Total liabilities		274,684,931	163,505,803	11,077,634	1,423,992
Total equity and liabilities		903,671,531	785,864,735	401,685,434	387,133,616

The notes on pages 62 to 136 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	18	383,966,858	334,232,200	20,867,500	13,500,000
Cost of sales		(299,653,951)	(264,564,768)	-	-
Gross profit		84,312,907	69,667,432	20,867,500	13,500,000
Other income		2,520,268	6,996,016	-	37,283
Distribution expenses		(19,967,708)	(19,762,895)	-	-
Other operating expenses	19	(7,097,379)	(783,361)	-	-
Administrative expenses		(17,883,266)	(22,876,680)	(5,564,996)	(5,170,988)
Replanting expenses		(19,533,958)	(11,880,594)	-	-
Results from operating activities	20	22,350,864	21,359,918	15,302,504	8,366,295
Other non-operating income	21	3,700,000	-	-	-
Finance income	22	3,309,112	3,723,376	2,687,360	3,214,843
Finance costs	23	(3,631,813)	(2,608,664)	(5,479)	(15,466)
Net finance (costs)/income		(322,701)	1,114,712	2,681,881	3,199,377
Profit before tax		25,728,163	22,474,630	17,984,385	11,565,672
Taxation	24	(6,397,650)	(1,941,356)	(505,834)	(567,395)
Profit and total comprehensive income for the financial year		19,330,513	20,533,274	17,478,551	10,998,277
Total comprehensive income attributable to:					
Owners of the Company		22,211,066	21,297,393	17,478,551	10,998,277
Non-controlling interests	5	(2,880,553)	(764,119)	-	-
Profit and total comprehensive income for the financial year		19,330,513	20,533,274	17,478,551	10,998,277
Basic and diluted earnings per ordinary share (sen)	26	7.94	7.62		

The notes on pages 62 to 136 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2016

		Attributable to owners of the Company							
		Non-distributable				Distributable			
Group	Note	Share capital RM	Share premium RM	Equity reserve RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2015		280,000,000	60,968,951	493,560	(1,222,307)	276,050,047	616,290,251	(6,077,676)	610,212,575
Profit and total comprehensive income for the financial year		-	-	-	-	21,297,393	21,297,393	(764,119)	20,533,274
Dividends to owners of the Company	27	-	-	-	-	(8,386,917)	(8,386,917)	-	(8,386,917)
At 31 December 2015/ 1 January 2016		280,000,000	60,968,951	493,560	(1,222,307)	288,960,523	629,200,727	(6,841,795)	622,358,932
Profit and total comprehensive income for the financial year		-	-	-	-	22,211,066	22,211,066	(2,880,553)	19,330,513
Dividends to owners of the Company	27	-	-	-	-	(12,580,375)	(12,580,375)	-	(12,580,375)
Dividends to owners of a subsidiary company	27	-	-	-	-	-	-	(122,500)	(122,500)
Acquisition of a subsidiary	35	-	-	-	-	-	-	30	30
At 31 December 2016		280,000,000	60,968,951	493,560	(1,222,307)	298,591,214	638,831,418	(9,844,818)	628,986,600
		(Note 14)	(Note 14)	(Note 14)	(Note 14)				

The notes on pages 62 to 136 are an integral part of these financial statements.

Statement of Changes in Equity

for the financial year ended 31 December 2016

Company	Note	Attributable to owners of the Company				
		Non-distributable			Distributable	
		Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total RM
At 1 January 2015		280,000,000	60,968,951	(1,222,307)	43,351,620	383,098,264
Profit and total comprehensive income for the financial year		-	-	-	10,998,277	10,998,277
Dividends to owners of the Company	27	-	-	-	(8,386,917)	(8,386,917)
At 31 December 2015/1 January 2016		280,000,000	60,968,951	(1,222,307)	45,962,980	385,709,624
Profit and total comprehensive income for the financial year		-	-	-	17,478,551	17,478,551
Dividends to owners of the Company	27	-	-	-	(12,580,375)	(12,580,375)
At 31 December 2016		280,000,000	60,968,951	(1,222,307)	50,861,156	390,607,800
		(Note 14)	(Note 14)	(Note 14)		

The notes on pages 62 to 136 are an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash flows from operating activities					
Profit before tax		25,728,163	22,474,630	17,984,385	11,565,672
Adjustments for:					
Change in fair value of other investments	20	87,713	86,502	-	-
Depreciation of property, plant and equipment	3	23,475,014	22,067,159	294	131
Depreciation of plantation development expenditure	4	220,980	220,980	-	-
Depreciation of investment properties	7	166,280	166,278	-	-
Dividend income from:					
- subsidiaries	20	-	-	(20,867,500)	(13,500,000)
- other investments	20	(46,436)	(45,775)	-	-
Gain on disposal of:					
- other investments	20	(50,921)	(1,458)	-	-
- property, plant and equipment		-	(115,302)	-	(12,000)
- assets held for sale		-	(5,808,114)	-	-
Gain on winding up of subsidiaries		-	-	-	(25,283)
Impairment losses on:					
- property, plant and equipment	3	518,484	-	-	-
- plantation development expenditure	4	5,842,608	783,361	-	-
- deposits	11	709,068	-	-	-
- other receivables		27,219	-	957,136	903,850
Finance income	22	(3,309,112)	(3,723,376)	(2,687,360)	(3,214,843)
Finance costs	23	3,631,813	2,608,664	5,479	15,466
Inventories written off	20	198,782	42,920	-	-
Write off of investment in subsidiaries		-	-	1,078	106
Reversal of impairment losses on deposits paid		(3,700,000)	-	-	-
Property, plant and equipment disposed/written off	20	24,132	655,217	-	-
Operating profit/(loss) before changes in working capital		53,523,787	39,411,686	(4,606,488)	(4,266,901)
Change in inventories		424,285	68,594	-	-
Change in trade and other receivables, prepayments and other assets		(3,558,378)	2,314,584	20,662,870	(852,174)
Change in trade and other payables		(5,176,163)	(32,296,996)	9,723,643	(2,358,036)

Statements of Cash Flows

for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash generated from/ (used in) operations		45,213,531	9,497,868	25,780,025	(7,477,111)
Tax (paid)/refunded		(3,878,116)	155,066	(604,834)	(702,395)
Interest paid		(3,864,396)	(2,455,499)	-	-
Interest received		2,851,854	3,667,690	1,606,544	1,686,743
Finance lease profit paid	23	(225,523)	(153,165)	-	-
Net cash from/(used in) operating activities		40,097,350	10,711,960	26,781,735	(6,492,763)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(43,777,872)	(8,817,370)	-	(2,940)
Dividends received		29,107	29,101	20,867,500	13,500,000
Net movement of deposits with original maturities exceeding three months		4,926,667	(5,769,791)	-	-
Plantation development expenditure (net of depreciation of property, plant and equipment and interest capitalised)		(43,938,339)	(16,604,853)	-	-
Partial payment/deposits for investment in subsidiary company		(14,859,211)	(5,953,835)	(14,859,211)	(5,953,835)
Proceeds from disposal of:					
- property, plant and equipment		-	217,690	-	12,000
- assets held for sale		-	7,200,000	-	-
Deposits for investments refunded		3,700,000	-	-	-
Gain on winding up of subsidiaries		-	-	-	25,283
Net cash (used in)/from investing activities		(93,919,648)	(29,699,058)	6,008,289	7,580,508
Cash flows from financing activities					
Amount due from subsidiaries		-	-	-	3,240,747
Net (repayment)/proceeds of revolving credits		(3,000,000)	12,000,000	-	-
Net proceeds of term loans		68,929,211	14,490,000	-	-
Repayment of finance lease liabilities		(2,667,108)	(1,808,781)	-	-
Dividends paid to owners of the Company	27	(12,580,375)	(8,386,917)	(12,580,375)	(8,386,917)
Dividends paid to owner of a subsidiary	27	(122,500)	-	-	-
Acquisition of a subsidiary		30	-	30	-
Net cash from/(used in) financing activities		50,559,258	16,294,302	(12,580,345)	(5,146,170)

Statements of Cash Flows

for the financial year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Net (decrease)/increase in cash and cash equivalents		(3,263,040)	(2,692,796)	20,209,679	(4,058,425)
Cash and cash equivalents at beginning of financial year		103,659,937	106,352,733	52,656,817	56,715,242
Cash and cash equivalents at end of financial year	(ii)	100,396,897	103,659,937	72,866,496	52,656,817

Notes

(i) Acquisition of property, plant and equipment

	Note	Group 2016 RM	Group 2015 RM
Paid in cash		43,777,872	8,817,370
Payables		24,470,361	11,143,608
Fair value of additions through acquisition of subsidiary recognised at the date of acquisition		29,769,175	-
Total acquisitions	3	98,017,408	19,960,978

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash in hand and at banks	12	816,894	962,425	9,209	26,475
Deposits with original maturities not exceeding three months	12	99,580,003	102,697,512	72,857,287	52,630,342
		100,396,897	103,659,937	72,866,496	52,656,817

The notes on pages 62 to 136 are an integral part of these financial statements.

Notes to the Financial Statements

Sarawak Plantation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

Lot 1174, Block 9, MCLD, Miri Waterfront, Jalan Permaisuri, 98000 Miri, Sarawak.

Registered office

8th Floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2016 do not include other entities.

The Company is principally engaged in investment holding while the principal activities of the subsidiaries are stated in Note 5.

These financial statements were authorised for issue by the Board of Directors on 29 March 2017.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act, 1965 in Malaysia.

The following are the accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

Standard/Amendment/Interpretation	Effective date
Amendments to FRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*	1 January 2017
Amendments to FRS 107, *Statement of Cash Flows - Disclosure Initiative*	1 January 2017
Amendments to FRS 112, *Income Taxes - Recognition of Deferred Tax*	1 January 2017
Amendments to FRS 10, *Consolidated Financial Statements* and FRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for Amendments to FRS 107 and Amendments to FRS 112 which are effective for annual periods beginning on or after 1 January 2017.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company, except as mentioned below:

The Group's financial statements for annual period beginning on 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs").

The Group falls within the scope of MFRS 141, *Agriculture*. Therefore, the Group is currently exempted from adopting the ("MFRSs") and is referred to as a "Transitioning Entity".

The Group and the Company will apply the following MFRSs that are not yet effective:

Standard / Amendment / Interpretation	**Effective date**
Agriculture: *Bearer Plants (Amendments to MFRS 116 and MFRS 141)*	1 January 2018
MFRS 9, *Financial Instruments* (2014)	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customer*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 1, First-time Adoption of *Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 2, *Share based Payment - Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*	1 January 2018
MFRS 16, *Leases*	1 January 2019

Material impacts of the initial application of the above accounting standards, which are applicable to the Group and which are to be applied retrospectively, are discussed below:

(i) **Amendments to MFRS 116, *Property, Plant and Equipment and* MFRS 141, *Agriculture - Agriculture: Bearer Plants***

The amendments to MFRS 116 and MFRS 141 require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment in accordance with MFRS 116, *Property, Plant and Equipment.*

The Group is currently assessing the financial impact that may arise from the adoption of amendments to MFRS 116 and MFRS 141.

(ii) **MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(iii) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue-Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact of adopting MFRS 15.

(iv) Amendments to MFRS 2, *Share-base Payment*

Amendments to MFRS 2 are with regards to classification and measurement of share-based payment transactions (the Amendments).

The amendments provide specific guidance on how to account for the following situations:

(a) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

(b) share-based payment transactions with a net settlement feature for withholding tax obligations; and

(c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

The Group is currently assessing the financial impact that may rise from the adoption of the Amendments to MFRS 2.

(v) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(vi) Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)

The amendments clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

The Group is currently assessing the financial impact that may arise from the adoption of the amendments.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than impairment assessment of property, plant and equipment and plantation development expenditure as disclosed in Notes 3 and 4 respectively. In preparing the financial statements, the Group has evaluated whether these assets are stated in excess of their net recoverable amounts. The net recoverable amounts are determined either by calculating the value-in-use of the assets via estimating the cash flows from their continuing use and discounting them to their net present values or by estimating their fair value less costs of disposal, an exercise that entails a high degree of estimation uncertainty. An allowance for impairment loss is made if the net recoverable amounts of the assets are lower than their carrying amounts.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies (continued)

(b) Financial instruments

(i) Initial recognition and measurement

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

***Financial assets** (continued)*

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment [see Note 2(i)(i)].

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

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

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

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “administrative expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Commercial buildings	50 years
Other buildings	20 years
Furniture, fittings and equipment	5 - 10 years
Infrastructure works	20 years
Plant and machinery	5 - 10 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

2. Significant accounting policies (continued)

(d) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

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

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(e) Plantation development expenditure

(i) Oil palm plantation

Oil palm plantation is stated at cost less impairment loss, if any.

New planting expenditure incurred on land clearing, planting, upkeep of oil palms, related overhead expenses and interest incurred net of sale proceeds from scout harvesting during the pre-maturity period are capitalised as oil palm plantation expenditure. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss. The capitalised pre-cropping cost is not depreciated, which represents costs incurred in planting the original estates, as their values are maintained through replanting programmes. Replanting expenditure is charged to profit or loss in the financial year in which the expenditure is incurred.

2. Significant accounting policies (continued)

(e) Plantation development expenditure (continued)

(ii) Rubber tree plantation

Rubber tree plantation is stated at cost less depreciation and impairment loss, if any.

Expenditure on rubber tree plantation, comprising land clearing, planting and upkeep of trees, is depreciated equally over its remaining economic useful life of seven years.

(iii) Teak tree plantation

Teak tree plantation is stated at cost less depletion and impairment loss, if any.

Expenditure on teak tree plantation in the form of land clearing, planting and upkeep of trees up to the time of harvest is capitalised in the statement of financial position as tree planting expenditure and will only be charged to profit or loss at the time of harvest in proportion to the area of teak trees harvested.

(f) Investment properties

(i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Depreciation on investment property, comprising solely buildings, is charged to profit or loss on a straight-line basis over its estimated useful life of 50 years.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Determination of fair value

The Group exercises its judgement by reference to market information available and/or in consultation with independent valuers where warranted, to estimate the fair value of its investment property.

2. Significant accounting policies (continued)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of crude palm oil and palm kernel includes raw material cost, direct labour and an appropriate share of production overheads based on normal operating capacity.

Cost of fresh fruit bunches acquired from third parties includes the cost of purchase of the inventory while that of fresh fruit bunches from own plantations includes harvesting cost and an appropriate share of the expenditure incurred in the upkeep and maintenance of mature estates.

Oil palm nursery inventories consist of seedlings remaining in the nursery for eventual field planting. Cost of palm oil seeds and seedlings includes the cost of treatment and cultivation.

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

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investment in associate and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, 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 profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to disposal. In assessing value in use, the estimated future cash flows 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Non-current assets held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(k) Equity instruments (continued)

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(iv) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Significant accounting policies (continued)

(m) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Provision of services

Management fees, agronomic fee and consultancy fee are recognised in profit or loss based on services rendered.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Operating segments

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

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted price (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.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements

3. Property, plant and equipment

Group	Leasehold land RM	Commercial buildings RM	Other buildings RM	Furniture, fittings and equipment RM	Infra-structure works RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Cost									
At 1 January 2015	37,619,402	20,079,384	94,668,778	31,118,825	236,475,016	98,159,776	53,213,393	3,908,218	575,242,792
Additions	-	29,400	334,735	370,550	439,701	1,068,060	5,274,100	12,444,432	19,960,978
Disposals	-	-	-	-	-	-	(7,752,621)	-	(7,752,621)
Write-offs	-	-	(460,654)	(1,600,010)	(18,491)	(1,511,515)	-	-	(3,590,670)
Transfers	-	-	2,441,981	1,844,997	4,635,836	1,364,900	329,623	(10,617,337)	-
Transfers from/(to) investment properties	-	898,471	(898,471)	-	-	-	-	-	-
At 31 December 2015/ 1 January 2016	37,619,402	21,007,255	96,086,369	31,734,362	241,532,062	99,081,221	51,064,495	5,735,313	583,860,479
Additions	53,406,815	-	682,984	319,929	14,601,893	1,004,083	2,761,044	25,240,660	98,017,408
Disposals	(54)	-	-	-	-	-	-	-	(54)
Write-offs	-	-	(15,465)	(17,940)	(20,000)	(84,901)	(600,797)	-	(739,103)
Transfers	-	-	6,306,639	1,600	10,226,180	2,112,435	653,234	(19,299,497)	591
At 31 December 2016	91,026,163	21,007,255	103,060,527	32,037,951	266,340,135	102,112,838	53,877,976	11,676,476	681,139,321

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Group (continued)	Leasehold land RM	Commercial buildings RM	Other buildings RM	Furniture, fittings and equipment RM	Infra-structure works RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Depreciation and impairment loss									
At 1 January 2015									
Accumulated depreciation	4,692,456	6,126,356	46,971,138	26,805,857	91,642,742	43,914,728	29,024,228	-	249,177,505
Accumulated impairment loss	36,104	-	-	-	4,527,210	-	-	-	4,563,314
	4,728,560	6,126,356	46,971,138	26,805,857	96,169,952	43,914,728	29,024,228	-	253,740,819
Depreciation for the year	685,470	553,996	4,298,019	1,449,640	10,722,901	4,695,452	3,700,152	-	26,105,630
Disposals	-	-	-	-	-	-	(7,650,233)	-	(7,650,233)
Write-offs	-	-	(277,879)	(1,598,161)	(1,712)	(1,057,702)	-	-	(2,935,454)
Transfer from/(to) investment properties	-	654,663	(654,663)	-	-	-	-	-	-
At 31 December 2015/ 1 January 2016									
Accumulated depreciation	5,377,926	7,335,015	50,336,615	26,657,336	102,363,931	47,552,478	25,074,147	-	264,697,448
Accumulated impairment loss	36,104	-	-	-	4,527,210	-	-	-	4,563,314
	5,414,030	7,335,015	50,336,615	26,657,336	106,891,141	47,552,478	25,074,147	-	269,260,762

3. Property, plant and equipment (continued)

Group (continued)	Leasehold land RM	Commercial buildings RM	Other buildings RM	Furniture, fittings and equipment RM	Infra-structure works RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Depreciation for the year	967,202	555,221	4,387,961	1,486,004	11,178,752	4,739,327	4,174,918	-	27,489,385
Disposals	(5)	-	-	-	-	-	-	-	(5)
Write-offs	-	-	(14,078)	(16,708)	(7,731)	(81,780)	(594,723)	-	(715,020)
Impairment loss	-	-	-	-	518,484	-	-	-	518,484
At 31 December 2016									
Accumulated depreciation	6,345,123	7,890,236	54,710,498	28,126,632	113,534,952	52,210,025	28,654,342	-	291,471,808
Accumulated impairment loss	36,104	-	-	-	5,045,694	-	-	-	5,081,798
	6,381,227	7,890,236	54,710,498	28,126,632	118,580,646	52,210,025	28,654,342	-	296,553,606
Carrying amounts									
At 31 December 2015/ 1 January 2016	32,205,372	13,672,240	45,749,754	5,077,026	134,640,921	51,528,743	25,990,348	5,735,313	314,599,717
At 31 December 2016	84,644,936	13,117,019	48,350,029	3,911,319	147,759,489	49,902,813	25,223,634	11,676,476	384,585,715

Assets under finance lease

The net carrying amount of leased motor vehicles was RM8,059,651 as at 31 December 2016 (2015: RM7,186,668).

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Company	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
Cost			
At 1 January 2015	18,012	184,117	202,129
Additions	2,940	-	2,940
Write-offs	-	(184,117)	(184,117)
At 31 December 2015/1 January 2016 31 December 2016	20,952	-	20,952
Depreciation			
At 1 January 2015	18,012	184,117	202,129
Depreciation for the year	131	-	131
Write-offs	-	(184,117)	(184,117)
At 31 December 2015/1 January 2016	18,143	-	18,143
Depreciation for the year	294	-	294
At 31 December 2016	18,437	-	18,437
Carrying amounts			
At 31 December 2015/1 January 2016	2,809	-	2,809
At 31 December 2016	2,515	-	2,515

3.1 Depreciation

Depreciation charge for the year is allocated as follows:

	Note	Group 2016 RM	2015 RM
Amount charged to profit or loss	20	23,475,014	22,067,159
Amount capitalised in plantation development expenditure	4	4,014,371	4,038,471
		27,489,385	26,105,630

3. Property, plant and equipment (continued)

3.2 Impairment loss and subsequent reversal - Group

Infrastructures

The Group recognised impairment losses on infrastructures amounted to RM4,527,210 in prior years. The allowance for impairment losses was made following disruption of its plantation activities by the local participants in a trust arrangement resulting in no harvesting activity being carried out since April 2010. In 2012, the Group through its subsidiary had initiated litigation against six (6) individuals, seeking injunctive, declaratory relief and claiming damages over the trespassing [see Note 34 (a)].

In the current financial year, the Group reassessed the recoverable amount of the affected infrastructures on similar bases as disclosed in Note 4.2.1 as well as taking into consideration the recent judgement [see Note 34(a)]. Impairment loss is recognised for the remaining carrying amount of RM518,484 (see Note 19).

3.3 Leasehold land

Included in the carrying amounts of leasehold land are:

	Group	
	2016 RM	2015 RM
Leasehold land with unexpired		
- lease period more than 50 years	80,330,469	27,759,283
- lease period less than 50 years	4,314,467	4,446,089
	84,644,936	32,205,372

3.4 Security - Group

Buildings, plant and machinery and long term leasehold land with carrying amounts of RM48,534,858 (2015: RM50,635,673) are charged to a bank for banking facilities granted to the Group (see Note 16).

Assets under finance lease are charged to secure the finance lease liabilities of the Group (see Note 16).

Notes to the Financial Statements

4. Plantation development expenditure - Group

Plantation development expenditure consists of the following:

	Note	Oil palm plantation RM	Teak tree plantation RM	Rubber tree plantation RM	Total RM
Cost					
At 1 January 2015		287,617,071	20,396,142	1,546,863	309,560,076
Additions		20,920,874	-	-	20,920,874
Disposals		-	(66,233)	-	(66,233)
Depletion		-	(9,591,552)	-	(9,591,552)
Winding up of subsidiaries	35	(778,502)	-	-	(778,502)
At 31 December 2015/ 1 January 2016		307,759,443	10,738,357	1,546,863	320,044,663
Additions		63,530,568	-	-	63,530,568
At 31 December 2016		371,290,011	10,738,357	1,546,863	383,575,231
Depreciation and impairment loss					
At 1 January 2015					
Accumulated depreciation		-	-	883,920	883,920
Accumulated impairment loss		10,921,432	20,329,909	-	31,251,341
		10,921,432	20,329,909	883,920	32,135,261
Impairment loss	20	783,361	-	-	783,361
Reversal of impairment loss		-	(9,591,552)	-	(9,591,552)
Depreciation for the year	20	-	-	220,980	220,980
Winding up of subsidiaries	35	(778,502)	-	-	(778,502)
At 31 December 2015/ 1 January 2016					
Accumulated depreciation		-	-	1,104,900	1,104,900
Accumulated impairment loss		10,926,291	10,738,357	-	21,664,648
		10,926,291	10,738,357	1,104,900	22,769,548
Impairment loss	20	5,842,608	-	-	5,842,608
Depreciation for the year	20	-	-	220,980	220,980
At 31 December 2016					
Accumulated depreciation		-	-	1,325,880	1,325,880
Accumulated impairment loss		16,768,899	10,738,357	-	27,507,256
		16,768,899	10,738,357	1,325,880	28,833,136
Carrying amounts					
At 31 December 2015/ 1 January 2016		296,833,152	-	441,963	297,275,115
At 31 December 2016		354,521,112	-	220,983	354,742,095

4. Plantation development expenditure - Group (continued)

4.1 Plantation development expenditure incurred during the year includes:-

	2016 RM	2015 RM
Depreciation of property, plant and equipment	4,014,371	4,038,471
Term loan interest	525,973	211,317
Personnel expenses		
- Contributions to the Employee Provident Fund	313,983	333,211
- Wages, salaries and others	3,913,676	3,830,152
	========	========

Included in plantation development expenditure is a carrying amount of RM17,068,785 (2015: RM17,068,785) located on certain long-term leasehold land (see Note 16) charged to a bank for banking facilities granted to a subsidiary.

4.2 ***Impairment loss***

Plantation development expenditure is tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may no longer be recoverable.

In preparing the financial statements, the Group has evaluated whether the assets that have indications of impairment are stated in excess of their net recoverable amounts. The net recoverable amounts are determined either by calculating the value-in-use of the assets via estimating the cash flows from their continuing use and discounting the cash flows to net present values or by estimating the fair value less costs of disposal, an exercise that entails a high degree of estimation uncertainty. An allowance for impairment loss is made if the net recoverable amounts of the assets are lower than their carrying amounts.

4.2.1 Oil palm plantation

In the financial year ended 31 December 2012, the Group foresaw a lack of progress in the development of two plantations in two of its subsidiaries in near future. In view thereof, the plantation development expenditure has been tested for impairment. Following the test, the entire carrying amount of the plantation development expenditure has been assessed to be no longer recoverable. As a result, an impairment loss of RM778,502 was recognised. In the financial year 2015, the Group has derecognised the impairment loss of RM778,502 due to winding up of subsidiaries.

In earlier years, the Group had recognised impairment losses of RM10,926,291 on some of its oil palm estates. The impairment losses were made following the inability of the Group to harvest fresh fruit bunches from these estates [see Notes 3.2 and 34(a)].

In the current financial year, due to the continuing inability to harvest fresh fruit bunches from these estates, the Group has performed impairment testing to assess the recoverable amount. The recoverable amount of the estates are estimated based on their values in use, on the assumption that the Group can reclaim the estates and resume its harvesting activities in near future.

4. Plantation development expenditure - Group (continued)

4.2 *Impairment loss* (continued)

4.2.1 Oil palm plantation *(continued)*

The value in use calculation was based on the following key assumptions:-

- Current selling price of fresh fruit bunches being used for the first 2 years of forecast and projection and average selling price of fresh fruit bunches for past 10 years (2007 - 2016) being used for remaining forecast and projection years;
- A pre-tax discount rate ranging from 12% - 15% (2015: 12% - 15%) per annum, of which 15% (2015: 15%) being the discount rate incorporating additional risk premium applied for the estate in dispute with the local participants in a trust arrangement;
- Projected future cash flows from the plantations are based on a single cycle of 25 years; and
- Average palm yields ranging from 6 to 23 (2015: 8 to 20) metric tonnes per hectare.

The values assigned to the key assumptions represent management's assessment of current trends in the oil palm plantation in Sarawak and are based on both external and internal sources (historical data). Any subsequent changes in the market conditions or to decisions on the harvesting levels may have a material impact on the assets' values as the future cash flows may differ from these estimates.

Following the reassessment, the Group has estimated that the net recoverable amounts to be lower than the carrying amounts as at 31 December 2016 and thus, an impairment loss of RM5,842,608 has been recognised as other operating expenses in the profit or loss (see Note 19).

4.2.2 Teak plantation

In previous years, the Group recognised an impairment loss of RM10,738,357 on its teak tree plantation. The recoverable amount was estimated based on the estimated fair value less costs of disposal of the teak trees. The fair value less costs of disposal calculation was based on the following key assumptions:-

- Selling price of RM120 per metric tonne; and
- 50% recovery of the existing estimated saleable logs volume.

Notes to the Financial Statements

5. Investment in subsidiaries - Company

	Note	2016 RM	2015 RM
Unquoted shares, at cost		328,454,718	298,685,579
Deemed capital contribution	5.1	1,807,509	1,807,509
Less: Impairment losses	5.2	(3,208,667)	(3,208,667)
Less: Winding up of subsidiaries	5.3	(1,078)	(106)
		327,052,482	297,284,315

5.1 Deemed capital contribution

Deemed capital contribution is related to fair value effect of the interest free advances to its subsidiaries recognised in the year ended 31 December 2010.

5.2 Impairment losses

In the previous years, the Company recognised impairment losses of RM3,208,667 based on the estimated recoverable amount of the investment in subsidiaries. The recoverable amount is estimated based on the fair value less costs of disposal with reference to the net tangible assets of the subsidiaries. In the year under review, the Company reassessed on similar bases and concluded no further impairment to the investment in subsidiaries.

5.3 Winding up of subsidiaries

The voluntary wind up of subsidiary companies of the Company, namely Lionsun Timber Sdn. Bhd., Cayamas Sdn. Bhd., SPB Pelita Mukah Sdn. Bhd. and SPB Pelita Wak Pakan Sdn. Bhd. and subsidiary of Sarawak Plantation Services Sdn. Bhd., namely SPS Trading Sdn. Bhd. has been completed in prior year.

The principal activities of the subsidiaries, all of which are incorporated in Malaysia, and the Company's interests therein are as follows:

Subsidiary	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD")	Cultivation of oil palm and processing of fresh fruit bunches	100	100
Sarawak Plantation Property Holding Sdn. Bhd. ("SPPH")	Property investment	100	100
Sarawak Plantation Services Sdn. Bhd. ("SPSSB")	Provision of management, agronomic and consultancy services	95	95
SPB Pelita Suai Sdn. Bhd.* ("SPBPS")	Cultivation of oil palm	60	60
Azaria Sdn. Bhd.*^	Dormant	75	75
Sarawak Plantation Property Development Sdn. Bhd.	Dormant	100	100

5. Investment in subsidiaries - Company (continued)

Subsidiary	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
Telliana Oil Palm Sdn. Bhd.	Cultivation of oil palm	100	-
SPB PPES Karabungan Plantation Sdn. Bhd.	Cultivation of oil palm	70	-

* *The financial statements of the subsidiaries are audited by a firm of Chartered Accountants other than KPMG.*

^ *In the progress of winding up during the financial year 2016.*

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2016	SPB Pelita Suai Sdn. Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	(9,578,847)	(265,971)	(9,844,818)
	=========	=========	=========
Loss allocated to NCI	(2,894,682)	14,129	(2,880,553)
	=========	=========	=========

Summarised financial information before intra-group elimination

	SPB Pelita Suai Sdn. Bhd. RM	Other subsidiaries with immaterial NCI RM
As at 31 December		
Non-current assets	-	253,487
Current assets	47,342	4,561,734
Current liabilities	(23,711,968)	(9,932,065)
Net liabilities	(23,664,626)	(5,116,844)
	=========	=========
Year ended 31 December		
Revenue	-	1,305,864
Loss for the financial year	(7,236,705)	(731,358)
Total comprehensive loss	(7,236,705)	(731,358)
	=========	=========
Cash flows from operating activities	(9,413)	98,901
Cash flows from investing activities	-	(522,648)
Cash flows from financing activities	-	100
Net decrease in cash and cash equivalents	(9,413)	(423,647)
	=========	=========

5. Investment in subsidiaries - Company (continued)

Non-controlling interests in subsidiaries (continued)

2015	SPB Pelita Suai Sdn. Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	(6,684,165)	(157,630)	(6,841,795)
Loss allocated to NCI	(711,953)	(52,166)	(764,119)

Summarised financial information before intra-group elimination

	SPB Pelita Suai Sdn. Bhd. RM	Other subsidiaries with immaterial NCI RM
As at 31 December		
Non-current assets	6,029,919	324,171
Current assets	794,005	5,638,948
Current liabilities	(23,251,845)	(9,868,390)
Net liabilities	(16,427,921)	(3,905,271)
Year ended 31 December		
Revenue	-	1,517,004
Loss for the financial year	(1,779,882)	(954,442)
Total comprehensive loss	(1,779,882)	(954,442)
Cash flows from operating activities	2,985,426	1,440,349
Cash flows from investing activities	-	9,517
Cash flows from financing activities	(2,980,000)	122,725
Net increase in cash and cash equivalents	5,426	1,572,591

6. Investment in associate - Group

	2016 RM	2015 RM
Unquoted shares, at cost	205,000	205,000
Share of post-acquisition losses	(205,000)	(205,000)
	-	-
	=========	=========

The Group's share of the losses of the associate is restricted to the cost of its investment therein.

The principal activities of the associate, which is incorporated in Malaysia, and the Group's interest therein are as follows:

Name of entity	Principal activity	Effective ownership interest and voting interest 2016 %	2015 %
Wonderland Transport Services Sdn. Bhd.*	Dormant	35.00	35.00

* *Held through a subsidiary, Sarawak Plantation Services Sdn. Bhd. The associate has ceased operations in prior year and had not made available its management accounts or financial statements to the Group. Hence, the financial information on the associate is not presented.*

7. Investment properties

	Group Buildings RM
Cost	
At 1 January 2015/31 December 2015/ 1 January 2016 and 31 December 2016	8,313,388
	==========
Depreciation	
At 1 January 2015	3,359,359
Depreciation for the year (Note 20)	166,278
At 31 December 2015/1 January 2016	3,525,637
Depreciation for the year (Note 20)	166,280
At 31 December 2016	3,691,917
	==========

7. Investment properties (continued)

	Group Buildings RM
Carrying amounts	
At 31 December 2015/1 January 2016	4,787,751
At 31 December 2016	4,621,471
Estimated fair value	
At 31 December 2015/1 January 2016	13,694,000
At 31 December 2016	13,694,000

The following are recognised in profit or loss in respect of investment properties:

	Group 2016 RM	2015 RM
Rental income	498,195	490,215
Direct operating expenses:		
- income generating investment properties	(230,994)	(187,998)
- non-income generating investment properties	(49,364)	(49,364)

Determination of fair value

The fair value was based on the valuation performed on 3 March 2011 by an independent valuer. The Group opines that there is no significant change in the market condition that may affect the fair value of the investment properties and hence no revaluation has been performed.

The fair value of the investment properties of the Group is categorised as Level 3.

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

8. Trade and other receivables

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-current					
Non-trade					
Amount due from subsidiaries	8.1	-	-	5,663,133	35,489,964
Less: Impairment losses		-	-	(5,663,133)	(4,705,997)
Non-current total		-	-	-	30,783,967
Current					
Trade					
Trade receivables		24,020,134	14,319,153	-	-
Less: Impairment losses		-	-	-	-
		24,020,134	14,319,153	-	-
Non-trade					
Other receivables	8.2	779,920	899,207	201,766	76,573
Amount due from subsidiaries	8.1	-	-	1,411,999	253,949
Less: Impairment losses	8.3	(100,720)	(73,501)	-	-
		679,200	825,706	1,613,765	330,522
GST receivable		1,370,676	1,309,172	-	-
Current total		26,070,010	16,454,031	1,613,765	330,522
Total		26,070,010	16,454,031	1,613,765	31,114,489

8.1 Amount due from subsidiaries is unsecured and bears interest at 4.60% - 7.85% (2015: 4.60% - 7.85%) per annum.

8.2 Included in other receivables of the Group is staff loans of RM23,539 (2015: RM117,759) which bears interest at 4.00% (2015: 4.00%) per annum.

8.3 During the financial year, an impairment loss of RM27,219 was recognised in profit or loss (see Note 19).

9. Inventories

	Group 2016 RM	Group 2015 RM
At costs		
Crude palm oil and palm kernel	5,268,014	3,204,173
Stores and consumables	8,841,873	7,240,149
Oil palm nursery	2,594,605	6,403,487
Oil palm seeds	1,325,336	1,578,388
Oil palm fresh fruit bunches	62,431	289,129
	18,092,259	18,715,326
Recognised in profit or loss:		
Inventories recognised as part of cost of sales	292,749,253	257,448,243

Oil palm nursery and oil palm seeds incurred during the year include:-

	2016 RM	2015 RM
Personnel expenses		
- Contributions to the Employees Provident Fund	84,440	127,613
- Wages, salaries and others	1,078,018	1,420,616

10. Other investments

	Group 2016 RM	Group 2015 RM
Current		
Financial assets at fair value through profit or loss:		
- Unit trust	489,605	531,743
- Portfolio investments	1,312,425	1,281,902
	1,802,030	1,813,645
Deposits with original maturities exceeding three months	7,663,451	12,590,118
	9,465,481	14,403,763

The portfolio investments are managed by a fund management company.

Notes to the Financial Statements

11. Prepayments and other assets

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non-trade					
Deposits	11.1	3,180,615	13,033,461	-	5,953,835
Less: Impairment losses	11.2	(1,862,000)	(4,852,932)	-	-
		1,318,615	8,180,529	-	5,953,835
Prepayments	11.1	3,154,225	2,836,474	1,337	501
Club membership		119,840	120,850	119,840	120,850
		3,274,065	2,957,324	121,177	121,351
		4,592,680	11,137,853	121,177	6,075,186

11. 1 Deposits and prepayments

Included in deposits and prepayments are:

(a) a prepayment of RM2,077,614 (2015: RM2,077,614) paid for an acquisition of land;

(b) an amount of RM Nil (2015: RM3,700,000) paid for the acquisition of 30% equity interest in four plantation companies in prior years. RM28,500,000 of the deposits have been recovered during financial year ended 31 December 2014 and RM3,700,000 of the deposits have been recovered during financial year ended 31 December 2016 (see Note 21); and

(c) an amount of Nil (2015 : RM5,953,835) paid for the acquisition of 100% equity interest in Telliana Oil Palm Sdn. Bhd., which was completed during the year.

11. 2 Impairment losses and reversal

(a) An amount of RM32,200,000 which was paid as deposits for the acquisition of 30% equity interest in four plantation companies [Note 11.1(b)] was previously impaired in full. In financial year 2014, as a result of the judgement delivered on 8 August 2014, the Group received a refund of deposits amounted to RM28,500,000 with interest at 5% per annum net off against interest charge of 8.5% per annum over RM22,600,000. Impairment losses of RM28,500,000 was reversed and recognised as other non-operating income in the profit or loss while the net interest income was recognised as finance income in the profit or loss in financial year ended 2014 [see Note 34(b), (c), (d), and (e)]. During the current financial year, the remaining balance of RM3,700,000 was received resulting in the reversal of impairment losses of RM3,700,000. The reversal was recognised as other non-operating income in the profit or loss (see Note 21); and

(b) an impairment loss of RM1,152,932 was made in earlier years following the local participants in a trust arrangement entering into an oil palm plantation of a subsidiary and disrupting its plantation activities, resulting in no harvesting activities being carried out since April 2010 (see Note 3.2). During the current financial year, a further impairment loss of RM709,068 was recognised in profit or loss (see Note 19).

Notes to the Financial Statements

12. Cash and cash equivalents

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash in hand and at banks	816,894	962,425	9,209	26,475
Deposits with original maturities not exceeding three months	99,580,003	102,697,512	72,857,287	52,630,342
	100,396,897	103,659,937	72,866,496	52,656,817

13. Assets held for sale

The assets classified as held for sale comprise the following:

	Group	
Group	2016 RM	2015 RM
Buildings	1,295,076	1,295,076
Furniture, fittings and equipment	146,668	146,668
	1,441,744	1,441,744
Less: Accumulated depreciation	(492,684)	(492,684)
	949,060	949,060

These assets had been classified as assets held for sale as efforts to sell them had commenced. The planned disposal of the buildings and furniture, fittings and equipment was approved by the Directors at the Board of Directors' Meeting held on 18 November 2011. The sale of building at the consideration of RM995,000 (2015: RM995,000) is pending transfer of title and fulfilment of conditions precedent stipulated in the sale and purchase agreement.

14. Capital and reserves

14.1 Share capital

	2016 Amount RM	2016 Number of shares	2015 Amount RM	2015 Number of shares
Ordinary shares of RM1.00 each				
Authorised:				
Opening and closing balances	500,000,000	500,000,000	500,000,000	500,000,000
	=========	=========	=========	=========
Issued and fully paid:				
Opening and closing balances	280,000,000	280,000,000	280,000,000	280,000,000
	=========	=========	=========	=========

14.2 Share premium

This represents the premium arose from the issuance of ordinary shares in satisfaction of the purchase consideration for subsidiaries acquired in 1999 and the subsequent public issue, less capitalisation for bonus issue, effected in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad in 2007.

14.3 Equity reserve

Equity reserve represents the capital contribution by certain shareholders of the Company, in respect of shares granted to employees of a subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd., in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad in 2007. This entailed the sale of 135,000 ordinary shares of RM1.00 each in the Company by corporate shareholders, to eligible employees of the subsidiary, on a basis proportionate to their then existing shareholdings in the Company.

14.4 Treasury shares

The shareholders of the Company, at an Annual General Meeting held on 18 June 2008, approved the Company's plan to repurchase its own shares. Such authority was last renewed at the Annual General Meeting held on 20 May 2016. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The Company did not repurchase its own shares during the years ended 31 December 2016 and 31 December 2015. The number of treasury shares held is 436,100 ordinary shares of RM1.00 each as at 31 December 2016 and 31 December 2015.

15. Deferred tax liabilities

Movements in temporary differences during the year are as follows:

Group	At 1.1.2015 RM	Recognised in profit or loss RM	At 31.12.2015/ 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016 RM
Property, plant and equipment	56,099,445	(1,349,965)	54,749,480	(1,150,375)	53,599,105
Others	(53,035)	(53,035)	(106,070)	(53,035)	(159,105)
	56,046,410	(1,403,000)	54,643,410	(1,203,410)	53,440,000
		(Note 24)		(Note 24)	

Unrecognised deferred tax assets

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

	Group 2016 RM	Group 2015 RM
Capital and agriculture allowances carried forward	7,831,000	7,065,000
Unutilised tax losses carried forward	9,754,000	9,159,000
	17,585,000	16,224,000

Deferred tax assets of RM4,220,000 (2015: RM3,894,000) have not been recognised in respect of the temporary differences because it is not probable if future taxable profits will be available against which the affected group entities can utilise the benefits.

Unabsorbed capital allowances and unabsorbed agriculture allowances carried forward, and unutilised tax losses carried forward attributable to group entities incorporated in Malaysia do not expire under the current tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

16. Loans and borrowings

	Note	Group 2016 RM	Group 2015 RM
Non-current			
Islamic term loan - secured	16.1	88,115,211	19,186,000
Finance lease liabilities (Islamic) - secured	16.4	1,827,329	2,182,534
		89,942,540	21,368,534

16. Loans and borrowings (continued)

	Note	Group 2016 RM	Group 2015 RM
Current			
Revolving credit - secured	16.2	39,000,000	39,000,000
Revolving credit (Islamic) - secured	16.3	2,000,000	5,000,000
Finance lease liabilities (Islamic) - secured	16.4	1,925,410	2,030,040
		42,925,410	46,030,040
		132,867,950	67,398,574

One of the subsidiaries has been granted banking facilities comprising one (2015: two) term loan facility of RM150 million (2015: RM150 million and RM20 million) and two revolving credit facilities of RM50 million and RM30 million respectively. (2015: RM50 million and RM30 million).

The Company shall maintain a gearing measured by total group financings over total group shareholders' funds of not more than 1.00 time.

The Islamic term loan and revolving credit facility of RM150 million and RM30 million respectively are Islamic facilities under Bai' Inah contract.

16.1 Islamic term loan - secured

The Islamic term loan is secured by way of legal charges over certain long term leasehold land, buildings, plant and machinery of a subsidiary (see Note 3) and a corporate guarantee from the Company.

The Islamic term loan of RM88,115,211 (2015: RM19,186,000) bears profit rate of 12.00% (2015: 12.00%) per annum, which is equivalent to an effective profit rate of 0.75% per annum above the Bank's i-cost of funds.

16.2 Revolving credit - secured

The revolving credit is secured by way of legal charges over certain long term leasehold land, buildings, plant and machinery of a subsidiary (see Note 3) and a corporate guarantee from the Company.

The effective interest rate of revolving credit is 4.63% (2015: 4.89%) per annum.

16.3 Revolving credit (Islamic) - secured

The revolving credit is secured by way of legal charges over certain long term leasehold land, buildings, plant and machinery of a subsidiary (see Notes 3) and a corporate guarantee from the Company.

The revolving credit bears effective profit rate of 0.60% (2015: 0.60%) per annum above the Bank's i-cost of funds.

16. Loans and borrowings (continued)

16.4 Finance lease liabilities (Islamic)

Assets under finance lease are charged to secure the finance lease liabilities of the Group (see Note 3).

Finance lease liabilities carry profit rates are fixed at 4.49% - 5.32% (2015: 4.49% - 5.32%) per annum.

Finance lease liabilities (Islamic) are payable as follows:

	Future minimum lease payments RM	Profit RM	Present value of minimum lease payments RM
2016			
Less than one year	2,071,647	146,237	1,925,410
Between one and five years	1,879,126	51,797	1,827,329
	3,950,773	198,034	3,752,739
2015			
Less than one year	2,193,169	163,129	2,030,040
Between one and five years	2,275,405	92,871	2,182,534
	4,468,574	256,000	4,212,574

17. Trade and other payables

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Current					
Trade					
Trade payables		23,336,998	16,041,955	-	-
Non-trade					
Accrued expenses		25,180,106	17,281,704	2,039,990	1,271,267
Other payables	17.1	37,659,404	6,392,059	9,037,644	82,724
GST payable		2,184,704	1,527,331	-	-
		65,024,214	25,201,094	11,077,634	1,353,991
Total		88,361,212	41,243,049	11,077,634	1,353,991

17. Trade and other payables (continued)

17.1 Other payables

Included in other payables of the Group are:

(a) an amount of RM680,705 (2015: RM590,102) due to a corporate shareholder of the Company;

(b) an amount of RM1,748,761 (2015: RM727,684) due to companies in which certain Directors have direct and indirect interests as well as with common directorships;

(c) an amount of RM1,085,743 (2015: RM2,627,269) being construction retention sums mainly for the construction of buildings, infrastructures, plant and machinery;

(d) an amount of RM8,956,130 being the balance purchase consideration for acquisition of equity interest in Telliana Oil Palm Sdn. Bhd.; and

(e) an amount of RM22,800,000 being balance purchase consideration for acquisition of plantation estate by a subsidiary.

18. Revenue

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income from subsidiaries	-	-	20,867,500	13,500,000
Sale of oil palm products	382,747,048	333,004,489	-	-
Agronomic service income	721,615	737,496	-	-
Rental from letting of investment properties	498,195	490,215	-	-
	383,966,858	334,232,200	20,867,500	13,500,000

19. Other operating expenses

Included in other operating expenses are impairment losses on plantation development expenditure of RM5,842,608 (2015: RM783,361) (see Note 4), impairment losses on property, plant and equipment of RM518,484 (2015: RM Nil) (see Note 3), impairment loss on prepayments and other assets of RM709,068 (2015: RM Nil) (see Note 11) and impairment loss on other receivables of RM27,219 (2015: RM Nil).

Notes to the Financial Statements

20. Results from operating activities

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Results from operating activities is arrived at after charging:					
Amortisation of club membership		1,010	1,010	1,010	1,010
Auditors' remuneration:					
- Statutory audit					
- KPMG Malaysia		186,000	179,000	50,000	47,000
- Other auditors		5,850	7,350	-	-
- Other services					
- KPMG Malaysia		43,500	59,000	43,500	37,000
- Local affiliates of KPMG Malaysia		191,100	245,630	12,370	13,750
Depreciation on:					
- property, plant and equipment	3	23,475,014	22,067,159	294	131
- investment properties	7	166,280	166,278	-	-
- plantation development expenditure	4	220,980	220,980	-	-
Impairment losses on:					
- plantation development expenditure	4	5,842,608	783,361	-	-
- property, plant and equipment	3	518,484	-	-	-
- trade and other receivables		27,219	-	957,136	903,850
- prepayments and other assets	11	709,068	-	-	-
Inventories written off		198,782	42,920	-	-
Investment in subsidiaries written off		-	-	-	106
Personnel expenses (including key management personnel):					
- Contributions to the Employees Provident Fund		4,246,691	4,399,080	203,675	320,439
- Wages, salaries and others		50,909,581	52,233,926	1,966,018	2,113,838
Property, plant and equipment disposed/written off		24,132	655,217	-	-
Change in fair value of other investments		87,713	86,502	-	-
		=========	=========	=========	=========

20. Results from operating activities (continued)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
and after crediting:					
Dividend income from:					
- unquoted subsidiaries		-	-	20,867,500	13,500,000
- other investments		46,436	45,775	-	-
Gain on disposal of:					
- other investments		50,921	1,458	-	-
- property, plant and equipment		-	115,302	-	12,000
- assets held for sale		-	5,808,114	-	-
Gain on winding up of subsidiaries		-	-	-	25,283
Income from rental of premises		671,795	798,779	-	-

Included in the personnel expenses of the Company disclosed above are salary costs (including compensations to key management personnel) recharged by a subsidiary (see Note 32).

21. Other non-operating income

Included in other non-operating income of the financial year 31 December 2016 is a reversal of impairment losses on deposits paid amounted to RM3,700,000 [see Note 11.2(a)].

22. Finance income

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Interest income of financial assets that are not at fair value through profit or loss:				
- receivables	-	-	598,674	1,579,887
- deposits with banks/financial institutions	3,292,829	3,702,322	2,088,686	1,634,956
Interest income from other investments	16,283	21,054	-	-
Recognised in profit or loss	3,309,112	3,723,376	2,687,360	3,214,843

Notes to the Financial Statements

23. Finance costs

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Interest expense/profit payments on financial liabilities				
- term loans	1,427,089	305,114	-	-
- revolving credits	2,104,313	2,361,703	-	-
- payables	400,861	-	5,479	15,466
Profit payments on Islamic financial liabilities				
- finance lease liabilities	225,523	153,164	-	-
	4,157,786	2,819,981	5,479	15,466
Amount charged to profit or loss	3,631,813	2,608,664	5,479	15,466
Amount capitalised in plantation development expenditure	525,973	211,317	-	-
	4,157,786	2,819,981	5,479	15,466

24. Taxation

Recognised in profit or loss

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current tax expense				
Malaysian - current year	7,746,000	3,974,087	471,000	570,000
- prior years	(144,940)	(629,731)	34,834	(2,605)
	7,601,060	3,344,356	505,834	567,395
Deferred tax expense (Note 15)				
Origination and reversal of temporary difference				
- current year	(1,203,410)	(1,403,000)	-	-
Total taxation	6,397,650	1,941,356	505,834	567,395

24. Taxation (continued)

Reconciliation of taxation

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit for the financial year	19,330,513	20,533,274	17,478,551	10,998,277
Total taxation	6,397,650	1,941,356	505,834	567,395
Profit excluding tax	25,728,163	22,474,630	17,984,385	11,565,672
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)*	6,174,760	5,618,657	4,316,000	2,890,000
Non-deductible expenses	4,202,974	1,917,526	1,248,000	1,113,000
Movements in unrecognised deferred tax assets	113,036	62,573	-	-
Utilisation of agriculture allowances and capital allowances incentives	(2,435,396)	(3,481,915)	-	-
Tax exempt income	(1,513,374)	(1,545,754)	(5,093,000)	(3,433,000)
	6,542,000	2,571,087	471,000	570,000
(Over)/under provision in prior years	(144,350)	(629,731)	34,834	(2,605)
Total taxation	6,397,650	1,941,356	505,834	567,395

* *With effect from 1 January 2016, the tax rate of the Company has been reduced from 25% to 24% due to the change in Malaysian corporate tax rate that was announced during the Malaysian Budget 2014.*

25. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors:				
- Fees	1,405,815	1,461,315	1,171,815	1,171,815
- Other short term employee benefits (including estimated benefits-in-kind)	792,570	862,003	194,075	262,085
- Post employee benefits	149,397	149,533	31,566	43,215
	2,347,782	2,472,851	1,397,456	1,477,115

25. Compensations to key management personnel (continued)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Other key management personnel				
- Short term employee benefits (including estimated benefits-in-kind)	1,840,314	1,888,081	321,964	439,969
- Post employee benefits	285,532	285,686	49,390	67,908
	2,125,846	2,173,767	371,354	507,877
	4,473,628	4,646,618	1,768,810	1,984,992

Other key management personnel comprise persons, other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

26. Earnings per ordinary share - Group

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders of RM22,211,066 (2015: RM21,297,393) and the weighted average number of ordinary shares outstanding calculated as follows:

Weighted average number of ordinary shares

	2016 RM	2015 RM
Issued ordinary shares at 1 January	280,000,000	280,000,000
Effect of issued ordinary shares repurchased	(436,100)	(436,100)
Weighted average number of ordinary shares at 31 December	279,563,900	279,563,900

The shareholders of the Company, at an Annual General Meeting held on 18 June 2008, approved the Company's plan to repurchase its own shares. Such authority was last renewed at the Annual General Meeting held on 20 May 2016. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The Company did not repurchase its own shares during the years ended 31 December 2016 and 31 December 2015. The number of treasury shares held is 436,100 ordinary shares of RM1.00 each as at 31 December 2016 and 31 December 2015.

Notes to the Financial Statements

26. Earnings per ordinary share - Group (continued)

Basic and diluted earnings per ordinary share

	2016 Sen	2015 Sen
Basic and diluted earnings per ordinary share	7.94	7.62
	========	========

27. Dividends

Dividends recognised in the financial year by the Company are:

<u>2016</u>	Sen per share (tax exempt)	Total RM	Date of payment
First interim 2015 ordinary	4.50	12,580,375	30 March 2016
		=========	
<u>2015</u>			
Second interim 2014 ordinary	3.00	8,386,917	9 April 2015
		=========	

Dividend paid to owner of subsidiary as below:

<u>2016</u>	RM per share (tax exempt)	Total RM	Date of payment
First interim 2015 ordinary	122,500	122,500	25 February 2016
	========		

Dividends per ordinary share

	2016	2015
Gross dividends per share (sen)	-	4.50
	=========	=========

The gross dividends per share as disclosed above comprises the total dividends declared and paid for the respective financial years.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2016.

28. Financial instruments

28.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");

(b) Financial liabilities measured at amortised cost ("FL"); and

(c) Fair value through profit or loss ("FVTPL").

	Note	Carrying amount RM	L&R/ (FL) RM	FVTPL RM
2016				
Financial assets/(liabilities) Group				
Trade and other receivables*	8	24,699,334	24,699,334	-
Other investments	10	9,465,481	7,663,451	1,802,030
Deposits	11	1,318,615	1,318,615	-
Cash and cash equivalents	12	100,396,897	100,396,897	-
Loans and borrowings	16	(132,867,950)	(132,867,950)	-
Trade and other payables*	17	(86,176,508)	(86,176,508)	-
		==========	==========	==========
Financial assets/(liabilities) Company				
Trade and other receivables*	8	1,613,765	1,613,765	-
Cash and cash equivalents	12	72,866,496	72,866,496	-
Trade and other payables*	17	(11,077,634)	(11,077,634)	-
		==========	==========	==========
2015				
Financial assets/(liabilities) Group				
Trade and other receivables*	8	15,144,859	15,144,859	-
Other investments	10	14,403,763	12,590,118	1,813,645
Deposits	11	8,180,529	8,180,529	-
Cash and cash equivalents	12	103,659,937	103,659,937	-
Loans and borrowings	16	(67,398,574)	(67,398,574)	-
Trade and other payables*	17	(39,715,718)	(39,715,718)	-
		==========	==========	==========
Financial assets/(liabilities) Company				
Trade and other receivables*	8	31,114,489	31,114,489	-
Cash and cash equivalents	12	52,656,817	52,656,817	-
Deposits	11	5,953,835	5,953,835	-
Trade and other payables*	17	(1,353,991)	(1,353,991)	-
		==========	==========	==========

** Excluding amount receivables from/payable to Royal Malaysian Custom Department.*

Notes to the Financial Statements

28. Financial instruments (continued)

28.2 Net gains arising from financial instruments

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Net gains on:				
Loans and receivables				
- impairment losses on trade and other receivables	-	-	(957,136)	(903,850)
- interest income from receivables	-	-	598,674	1,579,887
- interest income from term deposits	3,292,829	3,702,322	2,088,686	1,634,956
- reversal of impairment losses on deposits	3,700,000	-	-	-
	6,992,829	3,702,322	1,730,224	2,310,993
Fair value through profit or loss				
- gain on disposal of other investments	50,921	1,458	-	-
- change in fair value of other investments	(87,713)	(86,502)	-	-
- dividend income	46,436	45,775	-	-
- interest income	16,283	21,054	-	-
	25,927	(18,215)	-	-
Financial liabilities measured at amortised cost				
- interest expense on term loans	(1,427,089)	(305,114)	-	-
- interest expense on revolving credits	(2,104,313)	(2,361,703)	-	-
- payables	(400,861)	-	(5,479)	(15,466)
	(3,932,263)	(2,666,817)	(5,479)	(15,466)
Profit payments on finance lease liabilities	(225,523)	(153,164)	-	-
	2,860,970	864,126	1,724,745	2,295,527

28. Financial instruments (continued)

28.3 Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

28.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, its deposits with banks and investment in liquid securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables from third parties

Risk management objectives, policies and processes for managing the risk

Management regularly reviews and monitors on an on going basis by setting appropriate credit limits on trade receivables on a case-by-case basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts of the receivables in the statement of financial position. The credit risk is concentrated to five (2015: five) major customers, who are mainly involved in palm oil refinery as disclosed in Note 33, representing 93% (2015: 86%) of the total trade receivables. Deposits are only placed with licensed financial institutions.

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM	Individual impairment RM	Net RM
2016			
Not past due	22,816,004	-	22,816,004
Past due 31 - 365 days	1,109,878	-	1,109,878
Past due more than 365 days	94,252	-	94,252
	24,020,134	-	24,020,134
2015			
Not past due	13,444,778	-	13,444,778
Past due 31 - 365 days	837,862	-	837,862
Past due more than 365 days	36,513	-	36,513
	14,319,153	-	14,319,153

28. Financial instruments (continued)

28.4 Credit risk (continued)

Receivables from third parties (continued)

The movements in the allowance for impairment losses on trade receivables during the financial year are:

	Group	
	2016 RM	2015 RM
Opening balance	-	41,400
Reversal of allowance of impairment loss	-	(41,400)
Closing balance	-	-

An allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery is possible, the amount considered irrecoverable is written off against the receivables directly.

Other investments

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts of the securities in the statement of financial position.

Other investments of the Group (see Note 10) are categorised as financial assets fair value through profit or loss. The Group does not have overdue investments that have not been impaired.

The investments are unsecured.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries and monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. There are no significant concentrations of credit risk as at the end of the reporting period other than the amount due from one (2015: three) subsidiaries of RM1,411,999 (2015: RM30,783,967).

28. Financial instruments (continued)

28.4 Credit risk (continued)

Intercompany balances (continued)

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to subsidiaries are not recoverable, other than those on which an allowance for impairment losses has been made (see Note 8). The Company does not specifically monitor the ageing of loans and advances to subsidiaries and unless the Company is satisfied that recovery is possible, the amount considered irrecoverable will be written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM129,115,211 (2015: RM63,186,000) representing the outstanding banking facilities of a subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

28.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

Risk management objectives, policies and processes for managing the risk

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

28. Financial instruments (continued)

28.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate/ profit rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
2016							
Non-derivative financial liabilities							
Term loan - secured	88,115,211	4.84	92,379,988	-	-	92,379,988	-
Revolving credit - secured	39,000,000	4.63	40,805,700	40,805,700	-	-	-
Revolving credit (Islamic) - secured	2,000,000	4.44	2,088,800	2,088,800	-	-	-
Finance lease liabilities - secured	3,752,739	4.49 - 5.32	3,950,773	2,071,647	1,879,126	-	-
Trade and other payables	88,361,212	-	88,361,212	88,361,212	-	-	-
	221,229,162		227,586,473	133,327,359	1,879,126	92,379,988	-
Company							
2016							
Non-derivative financial liabilities							
Other payables	11,077,634	-	11,077,634	11,077,634	-	-	-
Corporate guarantees	-	-	230,000,000	230,000,000	-	-	-

28. Financial instruments (continued)

28.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rate/ profit rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
2015							
Non-derivative financial liabilities							
Term loan - secured	19,186,000	5.19	20,181,753	-	-	20,181,753	-
Revolving credit - secured	39,000,000	4.89	40,907,100	40,907,100	-	-	-
Revolving credit (Islamic) - secured	5,000,000	4.87	5,243,500	5,243,500	-	-	-
Finance lease liabilities - secured	4,212,574	4.49 - 5.32	4,468,573	2,193,169	2,275,404	-	-
Trade and other payables	41,243,049	-	41,243,049	41,243,049	-	-	-
	108,641,623		112,043,975	89,586,818	2,275,404	20,181,753	-
Company							
2015							
Non-derivative financial liabilities							
Other payables	1,353,991	-	1,353,991	1,353,991	-	-	-
Corporate guarantees	-	-	242,000,000	242,000,000	-	-	-

Notes to the Financial Statements

28. Financial instruments (continued)

28.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

28.6.1 Currency risk

The Group and Company are not exposed to any foreign currency risk as it operates domestically and most of its transactions are denominated in Ringgit Malaysia.

28.6.2 Interest and profit rates risk

The primary interest and profit rates risk to which the Group is exposed relates to the deposits which are fixed rate instruments placed with approved financial institutions. The exposure to a risk of change in their fair value due to changes in interest rates would not be significant as the deposits are usually placed for less than three months.

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group monitors its exposure to changes in interest and profit rates on a regular basis.

Borrowings are negotiated with a view to securing the best possible terms, including rates of interest/profit, to the Group.

Exposure to interest and profit rates risk

The interest and profit rates profile of the Group and the Company's significant interest-bearing financial instruments, based on their carrying amounts as at the end of the reporting period is:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate instruments				
Financial assets				
- Deposits with banks/ financial institutions	107,243,454	115,287,630	72,857,287	52,630,342
Financial liabilities				
- Finance lease liabilities	(3,752,739)	(4,212,574)	-	-
	103,490,715	111,075,056	72,857,287	52,630,342

28. Financial instruments (continued)

28.6 Market risk (continued)

28.6.2 Interest and profit rates risk (continued)

Exposure to interest and profit rates risk *(continued)*

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Floating rate instruments				
Financial assets				
- Amount due from subsidiaries	-	-	1,411,999	31,037,916
Financial liabilities				
- Term loans	(88,115,211)	(19,186,000)	-	-
- Revolving credits	(41,000,000)	(44,000,000)	-	-
	(129,115,211)	(63,186,000)	1,411,999	31,037,916

The amount due from subsidiaries of the Company bear interest at 4.60% and 7.65% - 7.85% (2015: 4.60% and 7.85%) per annum. The Company bears interest at 7.65% - 7.85% (2015: 7.85%) per annum for amount due to subsidiaries.

The term loan facilities to the Group bear interest at 12.00% per annum, which is equivalent to an effective profit rate of 0.75% per annum above the Bank's i-cost of funds.

The secured revolving credit facilities to the Group bear effective interest at 4.63% (2015: 4.89%) per annum, whereas the secured revolving credit facilities (Islamic) bear effective profit rate of 0.60% (2015: 0.60%) per annum above the Bank's i-cost of funds.

The deposits placed with licensed banks of the Group and the Company (see Notes 10 and 12) bear interest ranging from 2.30% to 3.65% (2015: 2.30% to 3.90%) per annum.

Finance lease liabilities under loan and borrowings bear interest ranging from 4.49% to 5.32% (2015: 4.49% to 5.32%) per annum.

28. Financial instruments (continued)

28.6 Market risk (continued)

28.6.2 Interest and profit rates risk (continued)

Interest and profit rates risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss. The exposure to interest rate risk is consequently not material and hence sensitivity analysis is not presented.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	2016 Profit or loss		2015 Profit or loss	
	100bp increase RM	100bp decrease RM	100bp increase RM	100bp decrease RM
Group				
Floating rate instruments	(981,000)	981,000	(474,000)	474,000
Company				
Floating rate instruments	10,000	(10,000)	233,000	(233,000)

28.6.3 Other price risk

Equity price risk arises from the Group's investments in portfolio investments and unit trusts securities.

Risk management objectives, policies and processes for managing the risk

Management monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

Equity price risk sensitivity analysis

There is no sensitivity analysis performed as any change will be insignificant to the Group.

28.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

28. Financial instruments (continued)

28.7 Fair value information (continued)

The fair values of portfolio investments and unit trusts are based on the net asset values of the investments as at the date of the statements of assets and liabilities obtained from fund managers.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
2016										
Group										
Financial assets										
Other investments	7,663,451	1,802,030	-	9,465,481	-	-	-	-	9,465,481	9,465,481
Financial liabilities										
Term loan - secured (non-current)	-	-	-	-	-	-	(79,717,791)	(79,717,791)	(79,717,791)	(88,115,211)
Finance lease liabilities (non-current)	-	-	-	-	-	-	(1,791,264)	(1,791,264)	(1,791,264)	(1,827,329)
	-	-	-	-	-	-	(81,509,055)	(81,509,055)	(81,509,055)	(89,942,540)
Company										
Financial assets										
Amount due from subsidiaries (non-current)	-	-	-	-	-	-	-	-	-	-

28. Financial instruments (continued)

28.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
2015										
Group										
Financial assets										
Other investments	12,590,118	1,813,645	-	14,403,763	-	-	-	-	14,403,763	14,403,763
Financial liabilities										
Term loan - secured (non-current)	-	-	-	-	-	-	(18,263,675)	(18,263,675)	(18,263,675)	(19,186,000)
Finance lease liabilities (non-current)	-	-	-	-	-	-	(2,169,014)	(2,169,014)	(2,169,014)	(2,182,534)
	-	-	-	-	-	-	(20,432,689)	(20,432,689)	(20,432,689)	(21,368,534)
Company										
Financial assets										
Amount due from subsidiaries (non-current)	-	-	-	-	-	-	30,783,967	30,783,967	30,783,967	30,783,967

28. Financial instruments (continued)

28.7 Fair value information (continued)

Policy on transfer between levels

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

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can asses at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2015: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair value of term loans approximate their carrying amounts as these are variable rate borrowings.

Amount due from subsidiaries bears interest at a rate that is in line with prevailing rates, also approximate fair value.

28. Financial instruments (continued)

28.7 Fair value information (continued)

Financial instruments not carried at fair value

Type	Valuation technique	Significant unobservable inputs (%)	Inter-relationship between significant unobservable inputs and fair value measurement
Finance lease liabilities	Discounted cash flows	Interest rate 4.49 - 5.32 (2015: 4.49 - 5.32)	The estimated fair value would increase (decrease) if the interest rate were higher (lower).
Term loan - secured	Discounted cash flows	Interest rate 4.84 (2015: 5.19)	The estimated fair value would increase (decrease) if the interest rate were higher (lower).

29. Contingencies

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

	Company	
	2016 RM	2015 RM
Corporate guarantees for banking facilities granted to subsidiaries	230,000,000	242,000,000

The corporate guarantee for a banking facility granted to a subsidiary of RM12,000,000 has been discharged on 4 January 2016 following full settlement of its term loan in prior year.

30. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2016, the Group's strategy was to maintain the debt-to-equity ratio at the lower end. The debt-to-equity ratios at 31 December 2016 and at 31 December 2015 were as follows:

	2016 RM	2015 RM
Total loans and borrowings (Note 16)	132,867,950	67,398,574
Less: Cash and cash equivalents (Note 12)	(100,396,897)	(103,659,937)
Less: Other investments (Note 10)	(7,663,451)	(12,590,118)
Net debt	24,807,602	(48,851,481)
Total equity	628,986,600	622,358,932
Debt-to-equity ratio	0.04	-

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

31. Capital expenditure commitments

	Group 2016 RM	Group 2015 RM
Property, plant and equipment		
Authorised but not contracted for	-	41,812,621
Contracted but not provided for	30,749,407	29,945,125
	30,749,407	71,757,746
Plantation development expenditure		
Authorised but not contracted for	-	35,200,903
Contracted but not provided for	8,230,340	14,344,900
	8,230,340	49,545,803
Total	38,979,747	121,303,549

32. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has a related party relationship with:

(i) its subsidiaries;

(ii) its associate;

(iii) key management personnel;

(iv) companies/organisations connected to certain Directors of the Company and/or of its subsidiaries; and

(v) its corporate shareholders.

Significant related party transactions

Significant related party transactions of the Group and of the Company, other than compensations to key management personnel (see Note 25) and those disclosed elsewhere in the financial statements, are shown below.

Subsidiaries

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income	-	-	(20,867,500)	(13,500,000)
Interest income	-	-	(598,674)	(1,579,887)
Administrative cost sharing	-	-	1,868,549	1,937,366
Interest expense	-	-	5,479	15,466
Administrative fee	-	-	93,427	99,733
	=========	=========	=========	=========

A company in which a Director has interest

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of oil palm fresh fruit bunches	2,835,768	973,973	-	-
	=========	=========	=========	=========

32. Related parties (continued)

Significant related party transactions (continued)

A company with common Director and another Director has a direct and indirect interest

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Purchase of oil palm fresh fruit bunches	18,883,425	19,961,090	-	-

A company in which a Director has a direct and indirect interest

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Rental and annual support for satellite and broadband services	298,456	307,804	-	-

A company in which a person connected to a Director has interest

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Software support, customisation, maintenance and implementation costs	209,753	388,590	-	-
Acquisition of software	131,970	158,500	-	-

The balances related to the below transactions are shown in Notes 8 and 17. There is no allowance for impairment loss on doubtful receivables provided against the outstanding balances of related parties, other than that provided against the amount due from subsidiaries as disclosed in Note 8.

The amount due from subsidiaries is disclosed in the statement of financial position and Note 8 to the financial statements.

Related party transactions are based on negotiated terms and the amounts outstanding at the statement of financial position date are unsecured and expected to be settled in cash.

Notes to the Financial Statements

33. Segment reporting

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Group Managing Director (being the Chief Operating Decision Maker), reviews internal management reports on a quarterly basis. The following describes the operations in each of the Group's reportable segments.

Investment holding	- Investment holding company.
Oil palm operations	- Cultivation of oil palm and processing of fresh fruit bunches.
Management services and rental	- Provision of management service and rental of investment properties.

There are varying levels of integration between the reportable segments. Inter-segment pricing is determined on negotiated terms.

Performance is measured based on segment gross profit as included in the internal management reports. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

	Investment holding RM	Oil palm operations RM	Management services/ Rental RM	Consolidated RM
2016				
Revenue				
Segment revenue	20,867,500	382,747,048	4,276,586	407,891,134
Inter-segment revenue	(20,867,500)	-	(3,056,776)	(23,924,276)
External revenue	-	382,747,048	1,219,810	383,966,858
Cost of sales				
Segment cost of sales	-	(297,857,370)	(2,106,501)	(299,963,871)
Inter-segment cost of sales	-	129,920	180,000	309,920
External cost of sales	-	(297,727,450)	(1,926,501)	(299,653,951)
Gross profit/(loss)	-	85,019,598	(706,691)	84,312,907
Other income including finance income	2,687,360	7,832,582	480,232	11,000,174
Inter-segment	(598,674)	(861,784)	(10,336)	(1,470,794)
External other income	2,088,686	6,970,798	469,896	9,529,380

33. Segment reporting (continued)

	Investment holding RM	Oil palm operations RM	Management services/ Rental RM	Consolidated RM
2016 (continued)				
Other expenses including finance costs	(5,570,475)	(70,113,332)	(1,967,061)	(77,650,868)
Inter-segment	1,785,108	6,960,084	791,552	9,536,744
External other expenses	(3,785,367)	(63,153,248)	(1,175,509)	(68,114,124)
(Loss)/Profit before tax	(1,696,681)	28,837,148	(1,412,304)	25,728,163
Included in the measure of segment gross (loss)/profit is:				
Depreciation of property, plant and equipment	-	19,718,128	1,582,882	21,301,010
2015				
Revenue				
Segment revenue	13,500,000	333,004,489	4,479,745	350,984,234
Inter-segment revenue	(13,500,000)	-	(3,252,034)	(16,752,034)
External revenue	-	333,004,489	1,227,711	334,232,200
Cost of sales				
Segment cost of sales	-	(262,625,507)	(2,189,506)	(264,815,013)
Inter-segment cost of sales	-	70,245	180,000	250,245
External cost of sales	-	(262,555,262)	(2,009,506)	(264,564,768)
Gross profit/(loss)	-	70,449,227	(781,795)	69,667,432

33. Segment reporting (continued)

	Investment holding RM	Oil palm operations RM	Management services/ Rental RM	Consolidated RM
2015 (continued)				
Other income including finance income	3,252,126	3,690,197	6,308,170	13,250,493
Inter-segment	(1,579,887)	(932,983)	(18,231)	(2,531,101)
External other income	1,672,239	2,757,214	6,289,939	10,719,392
Other expenses including finance costs	(5,186,455)	(61,001,245)	(2,105,493)	(68,293,193)
Inter-segment	1,013,065	8,002,700	1,365,234	10,380,999
External other expenses	(4,173,390)	(52,998,545)	(740,259)	(57,912,194)
(Loss)/Profit before tax	(2,501,151)	20,207,896	4,767,885	22,474,630
Included in the measure of segment gross (loss)/profit is:				
Depreciation of property, plant and equipment	-	18,737,447	1,628,055	20,365,502

33. Segment reporting (continued)

	2016 RM	2015 RM
Segment assets		
Investment holding	401,685,434	387,133,616
Oil palm operations	773,925,415	692,139,510
Management services/Rental	36,734,582	45,196,046
Others	44,013	539,113
	1,212,389,444	1,125,008,285
Elimination	(308,717,913)	(339,143,550)
Total assets	903,671,531	785,864,735

Reconciliation of reportable segment revenue, profit or loss, assets and other material items

	2016 RM	2015 RM
Profit or loss		
Total gross profit for reportable segments	84,312,907	69,667,432
Depreciation of tangible assets	(2,561,264)	(2,088,915)
Impairment losses:		
- tangible assets	(7,097,379)	(783,361)
Finance costs	(3,631,813)	(2,608,664)
Finance income	3,309,112	3,723,376
Corporate expenses	(3,785,367)	(4,173,390)
Others expenses	(48,518,033)	(41,261,848)
Reversal of impairment losses	3,700,000	-
Consolidated profit before tax	25,728,163	22,474,630

Segment information is presented in respect of the Group's business segments. As the Group operates within one geographical segment, geographical segment analysis is not applicable.

33. Segment reporting (continued)

Major customers

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

	Revenue 2016 RM	Revenue 2015 RM	Segment
- Customer A	99,921,856	76,927,236	Cultivation of oil palm and processing of fresh fruit bunches
- Customer B	48,949,488	76,354,228	Cultivation of oil palm and processing of fresh fruit bunches
- Customer C	113,280,679	73,491,578	Cultivation of oil palm and processing of fresh fruit bunches
- Customer D	103,607,899	94,302,165	Cultivation of oil palm and processing of fresh fruit bunches
- Customer E	4,466,183	3,341,040	Cultivation of oil palm and processing of fresh fruit bunches
	=========	=========	

The major customers listed above collectively owe RM22,296,787 (2015: RM12,380,672) to the Group, equivalent to 93% (2015: 86%) of the total trade receivables.

34. Material litigations

(a) A subsidiary of the Group, SPB Pelita Suai Sdn. Bhd. ("SP Suai") sued 6 individuals ("Defendants"), seeking injunctive and declaratory relief against the Defendants for various acts of trespass over 2 parcels of Native Communal Reserve Land which the Defendants had given consent for development into an oil palm estate. SP Suai also seeks to claim damages from the Defendants.

On 18 September 2013, the learned Judge decided as follows:

(i) There is no concluded contract between the Defendants and SP Suai;

(ii) It has not been shown by the parties that the Defendants were members of the Penan community for which the land was gazetted for their exclusive use;

(iii) That the gazette to allow SP Suai to deal with native land has no retrospective effect;

(iv) Generally, parties have not proven their case against each other.

SP Suai filed a Notice of Appeal against the whole of the learned Judge's decision on 14 October 2013. The Defendants also filed a Notice of Appeal against the whole of the learned Judge's decision on the same date. SP Suai had filed and served the Record of Appeal on 2 December 2013. The Court of Appeal heard the appeal on 10 December 2015, and ordered that the case be remitted back to the High Court (before a different Judge) for a retrial. They were of the view that there was a mistrial in respect of the High Court's finding. There was no order as to costs.

The retrial of the case proceeded on 26 July 2016.

At the conclusion of the proceedings, the Court directed as follows:

(i) The parties are to file and exchange Written Submissions;
(ii) Thereafter, the parties are to file Written Reply; and
(iii) Counsels for the parties are to appear before the Court to go through their Submissions on 25 August 2016.

The Court allowed the Counsel for the Defendants' application for an extension of 2 weeks from 27 October 2016 to file the Written Submission and the same has to be filed on or before 10 November 2016. Thereafter, the parties may file Reply (if any) by 17 November 2016. Hearing of the Submissions was fixed on 28 November 2016.

The Court delivered its ruling on 23 February 2017 as follows:

(i) Dismissed SP Suai's claim;
(ii) Allowed part of the Defendants' claims, namely SP Suai is prohibited from entering the 2 parcels of NCR Land and SP Suai has to vacate and remove its machineries, equipments and structures existing on the Defendants' 2 parcels of NCR land.

SP Suai filed a Notice of Appeal against the whole of the learned Judge's decision on 9 March 2017 and will apply for a stay of execution in due course. No hearing date for the appeal has been fixed.

34. Material litigations (continued)

(b) On 26 June 2012, a subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD") filed a Writ of Summons against a third party ("Defendant") for damages and other reliefs for breach of contract or alternatively refund of deposits of RM2,600,000 in respect of shares in a company and RM7,200,000 in respect of shares in another company paid by SPAD under a Sales and Purchase Agreement ("SPA") signed in an earlier year.

The Defendant entered appearance and served a Memorandum of Appearance on SPAD on 13 July 2012. The Statement of Defence was served on SPAD on 22 August 2012.

This matter was consolidated for trial with (c) and (d) below and was jointly tried with (e) below.

On 8 August 2014, the Honourable Judge of the High Court delivered the judgement as follows:

(i) The Defendant was ordered to pay SPAD the sum of RM2,600,000 with interest at 5% per annum from 21 June 2004 until full settlement and SPAD was ordered to pay the Defendant the sum of RM1,200,000 as late payment interest;

(ii) On a separate claim, the Defendant was ordered to pay SPAD the sum of RM7,200,000 with interest at 5% per annum from 1 January 2001 until full settlement.

(c) On 26 June 2012, a subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD") filed a Writ of Summons against a third party ("Defendant") for damages for breach of contract or alternatively refund of deposits of RM15,400,000 in respect of shares in a company paid by SPAD under a Sales and Purchase Agreements ("SPA") signed in an earlier year.

The Defendant entered appearance and served a Memorandum of Appearance on SPAD on 13 July 2012. The Statement of Defence was served on SPAD on 22 August 2012.

This matter was consolidated for trial with (b) above and (d) below and was jointly tried with (e) below.

On 8 August 2014, the Honourable Judge of the High Court ruled that the Defendant pay SPAD the sum of RM15,400,000 with interest at 5% per annum from 30 November 2007 until full settlement. On the other hand, SPAD was ordered to pay the Defendant interest at 8.5% per annum on RM12,100,000 from 1 January 2001 to 29 November 2007 by reason of default in payment of instalments due under the SPA.

(d) On 26 June 2012, a subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD") filed a Writ of Summons against a third party ("Defendant") for damages for breach of contract or alternatively refund of deposits RM7,000,000 in respect of shares in a company paid by SPAD under a Sales and Purchase Agreements ("SPA") signed in an earlier year.

The Defendant entered appearance and served a Memorandum of Appearance on SPAD on 13 July 2012. The Statement of Defence was served on SPAD on 22 August 2012.

This matter was consolidated for trial with (b) and (c) above and was jointly tried with (e) below.

On 8 August 2014, the Honourable Judge of the High Court ruled that the Defendant pay SPAD the sum of RM7,000,000 with interest at 5% per annum from 20 November 2007 until full settlement. On the other hand, SPAD was ordered to pay the Defendant interest at 8.5% per annum on RM10,500,000 from 1 January 2001 to 19 November 2007 by reason of default in payment of instalments due under the SPA.

34. Material litigations (continued)

(e) On 29 June 2012, a Writ of Summons was filed against Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD") in the High Court in the respect of the same subject matters as stated above in paragraphs (b), (c) and (d). The Writ of Summons was served on 1 August 2012. SPAD filed its Memorandum of Appearance on 13 August 2012.

The Plaintiffs are claiming for damages for alleged breach/repudiation of agreements entered into by each of the Plaintiffs with SPAD in relation to sale of shares by each of the Plaintiffs for shares in third party companies. The Statement of Defence has been served by SPAD.

The matter was jointly tried with (b), (c) and (d) above.

On 27 August 2014, a Notice of Appeal was filed by the Plaintiffs and the Defendants under (b), (c) and (d) above against the judgement dated 8 August 2014. SPAD filed a Notice of Cross Appeal on 28 October 2014 in respect of the interests awarded against SPAD under (b), (c) and (d) above. The appeal and cross appeal were heard on 19 August 2015.

On 31 December 2015, the Court of Appeal upheld all the High Court's decision and dismissed the Defendants' appeal. The Court of Appeal allowed SPAD's cross appeal in part by setting aside the award of RM1,200,000 as late payment interest. SPAD was awarded global costs of RM10,000.

On 28 January 2016, the Defendant filed a motion in the Federal Court for leave to appeal against the decision of the Court of Appeal. The hearing of the motion for leave to appeal was heard on 29 September 2016.

The Federal Court dismissed the Defendant's motion for leave to appeal and awarded costs to SPAD in the sum of RM10,000.

(f) On 25 March 2015, the Company was served with legal proceedings. The Company and SPAD are sued together with four (4) others.

No Specific Provisional Lease State Land was specified in the Statement of Claim but the claimed area is described as "Tanah Hak Adat Komunal dan Tanah Individu Rumah Lenon Ak Nanggai at Sungai Assan Bayu, Bahagian Sibu and notated to be totaling 774.12 hectares. The allegations relate to 487.19 hectares in a community map prepared by the Sarawak Dayak Iban Association.

The Company and SPAD have entered appearance and the Defence and Counterclaim was filed on 8 April 2015. Trial is completed and the decision was delivered by the learned High Court Judge on 17 January 2017.

The learned High Court Judge found that the Plaintiffs have failed to prove their case against all the Defendants. In the premises, the Honourable Court had dismissed the Plaintiff's case against the Defendants with costs of RM35,000 to the Company and SPAD and also costs to the other Defendants.

(g) On 13 July 2016, the Company and SPAD were served with legal proceedings. Amongst other things, the Plaintiffs seeked a declaration to the effect that they have acquired native customary rights and/or are the customary owners over land situated at/around all of Kampung Melugu Sri Aman.

The Company and SPAD had on 20 July 2016 entered appearance. On 10 August 2016, an application to strike out the Plaintiffs' Writ and Statement of Claim was filed and served the Plaintiffs. On 17 October 2016, the Court dismissed SPAD's application to strike out the Plaintiff's Statement of Claim. SPAD filed its appeal against the Court's said decision on 9 November 2016.

34. Material litigations (continued)

(g) The hearing date for the appeal is yet to be fixed. The Court has fixed a mention date on 13 April 2017 for the parties to update the Court on the status of the appeal and for the Court to monitor the progress of the appeal, accordingly.

The Directors, in consultation with the Company's and SPAD's advocates are of the opinion that the Company and SPAD have strong merits in the case.

(h) A subsidiary of the Group, Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD") sued 16 individuals ("Defendants"), seeking injunctive and declaratory relief against the Defendants for various acts of trespass, unlawful occupation and illegal construction of a longhouse within an area covered by the Plaintiff's Provisional Lease of State Land. SPAD also seeks to claim damages from the Defendants.

The Defendants have refused to accept service of the Writ of Summons and Statement of Claim dated 5 January 2017 and the Notice of Application dated 9 January 2017 for interim injunction together with the Affidavit in Support.

SPAD applied and obtained an Order for Substituted Service on 6 February 2017 to serve the Writ, Statement of Claim and injunction application. The Notice of Advertisement was filed on 9 February 2017.

At the hearing of the interim injunction on 28 February 2017 at the Kuching High Court, the Judge directed that the case be transferred to the Sibu High Court as the land in dispute is in Sibu.

At the hearing of the interim injunction on 28 March 2017 at the Sibu High Court, the learned Judge granted SPAD the interim injunction to prohibit the Defendants from entering into the area covered under SPAD's Provisional Lease of State Land or to construct anything thereon.

The Directors, in consultation with SPAD's Solicitors, are of the opinion that SPAD has strong merits in the case.

35. Acquisition of subsidiaries and winding up of subsidiaries

(i) Year ended 31 December 2016

(a) Acquisition of subsidiary - Telliana Oil Palm Sdn. Bhd.

On 17 August 2015, the Company entered into a Share Sale Agreement to purchase 100,000 ordinary shares of RM1.00 each of Telliana Oil Palm Sdn. Bhd. ("Telliana") for a cash consideration of RM29,769,175. On 10 May 2016, the Company entered into a Deed of Variation with the Vendors to vary the terms of payment. The balance purchase consideration of RM8,956,130 shall be payable upon obtaining Environment Impact Assessment (EIA) approval from the relevant authority for part of the land (approximately 1,147 hectares). The EIA approval for the other part of land measuring approximately 1,903 hectares was obtained on 7 April 2016. The 100% equity in Telliana has also been transferred to the Company, thus making Telliana a wholly owned subsidiary of the Company.

35. Acquisition of subsidiaries and winding up of subsidiaries (continued)

The acquisition had the following effect on the Group's assets and liabilities:

	Recognised fair value RM
Property, plant and equipment	29,769,175
Other payables	(1,200)
Net identifiable assets	29,767,975
Reserve on consolidation	1,200
Purchase consideration	29,769,175

(b) *Acquisition of subsidiary - SPB PPES Karabungan Plantation Sdn. Bhd.*

On 4 March 2016, the Company entered into a joint venture agreement with a third party for the development of approximately 1,000 acres of land into an oil palm plantation. The land is situated at Karabungan, Niah Land District, Sarawak. On 23 May 2016, a joint venture company named SPB PPES Karabungan Plantation Sdn. Bhd. ("SPB PPES Karabungan") was incorporated to undertake the said development. The equity shareholding in SPB PPES Karabungan is 70/30, with the Company owning 70% and the third party owning 30%.

The Group recognised a non-controlling interest of RM30.

(ii) Year ended 31 December 2015

Winding up of subsidiaries

The Group had voluntary wound up five subsidiaries namely Lionsun Timber Sdn. Bhd., Cayamas Sdn. Bhd., SPB Pelita Mukah Sdn. Bhd., SPB Pelita Wak Pakan Sdn. Bhd. and subsidiary of Sarawak Plantation Services Sdn. Bhd., SPS Trading Sdn. Bhd. in the financial year ended 31 December 2015.

	RM
Property, plant and equipment	1
Cash and cash equivalents	292,936
Trade and other payables	(79,155)
Current tax payable	(150)
Non-controlling interest	(60,620)
Net identifiable assets and liabilities	153,012
Net loss in winding up of subsidiaries	(13,985)
Consideration received, satisfied in cash	139,027
Cash and bank balances, net of overdraft by the Group	(292,936)
Consideration deemed received by the Group	(153,909)

36. Supplementary financial information on the breakdown of realised and unrealised profit or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of the Company and its subsidiaries				
- realised	317,667,991	315,405,810	50,861,156	45,962,980
- unrealised	(53,352,286)	(54,556,908)	-	-
	264,315,705	260,848,902	50,861,156	45,962,980
Add: Consolidation adjustments	34,275,509	28,111,621	-	-
Total retained earnings	298,591,214	288,960,523	50,861,156	45,962,980

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 55 to 136 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 36 on page 137 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………

Datuk Amar Abdul Hamed Bin Sepawi
Director

……………………………………………………

Polit Bin Hamzah
Director

Kuching,

Date: 29 March 2017

Statutory Declaration

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

I, **Koay Bee Eng**, the officer primarily responsible for the financial management of Sarawak Plantation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 137 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Koay Bee Eng**, NRIC: 690102-07-5398, at Kuching in the State of Sarawak on 29 March 2017.

………………………………………………

Koay Bee Eng

Before me:

PESURUHJAYA SUMPAH
Q 137
EVELYN
LAU SIE JIONG
MALAYSIA

EVELYN LAU SIE JIONG
Commissioner For Oaths
No.10, Lot 663, Ground Floor
Lorong 2 Jalan Ong Tiang Swee
93200 Kuching, Sarawak.

Independent Auditors' Report To The Members Of Sarawak Plantation Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sarawak Plantation Berhad., which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 136.

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 2016 and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Independent Auditors' Report To The Members Of Sarawak Plantation Berhad

1. Impairment evaluation of plantation development expenditure ("PDE") and other tangible assets.

   Refer to Note 2(e) (accounting policy) and Note 4.2 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
Two subsidiaries of the Group, SPB Pelita Suai Sdn. Bhd. and Sarawak Plantation Agriculture Development Sdn. Bhd., recognised impairment losses of RM10,926,291 in the prior years. The impairment losses were made as there were disagreements with the local participants in a trust arrangement resulting in disruptions to the activities of the oil palm plantation. We have identified this as a key audit matter either because of the required exercise of judgment in our assessment of the recoverable amount or the significance of the remaining carrying amount of the said plantation to the overall financial statements. Following the reassessment, the Group has estimated that the net recoverable amounts to be lower than the carrying amounts as at 31 December 2016 and thus, an impairment loss of RM5,842,608 has been recognised as other operating expenses in the profit or loss. The impairment assessment of the plantation development expenditure is disclosed in Note 4.2 to the financial statements.	Our procedures focused on evaluating and challenging key assumptions used by management in carrying out the impairment review. The key procedures included the following: i) We assessed management's determination of the Company's CGU, as required under the FRS136 Impairment of assets; ii) We evaluated the key assumptions as below: • Forecast selling price; • Yield; • Forecast costs (operating and administration costs); and • Discount rate by comparing them to historical results, known market and industry trends. We challenged the basis of estimations applied by the management and assessed whether there were any management biasness. iii) We considered the adequacy of the Company's disclosures about the assumptions to which the outcome of the impairment assessment were most sensitive.

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the annual report 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 annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report To The Members Of Sarawak Plantation Berhad

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, 1965 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 ability of the Group and of the Company 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 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, 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 internal control of the Group and of the Company.
- 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 ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report To The Members Of Sarawak Plantation Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 36 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Nicholas Chia Wei Chit
Approval Number: 3102/03/18(J)
Chartered Accountant

Kuching,

Date: 29 March 2017

Analysis of Shareholdings
as at 31 March 2017

According to the number of securities held in respect of Ordinary Shares:

Size of Shareholdings	No. of Shareholders / Depositors	% of Shareholders / Depositors	No. of Shares Held	% of Issued Capital
1 - 99	14	0.58	426	0.00
100 - 1000	473	19.67	418,507	0.15
1,001 - 10,000	1,401	58.25	6,606,379	2.36
10,001 - 100,000	430	17.88	14,049,830	5.03
100,001 - 13,978,194*	83	3.45	68,184,248	24.39
13,978,195 and above**	4	0.17	190,304,510	68.07
Total	2,405	100.00	279,563,900	100.00

** Less than 5% of Issued Shares* *** 5% and above of Issued Shares*

Top Thirty Shareholders

	Names	Holdings Number	%
1.	Cermat Ceria Sdn. Bhd.	84,968,024	30.39
2.	State Financial Secretary Sarawak	71,218,101	25.47
3.	Lembaga Tabung Haji	18,791,400	6.72
4.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohamad Bolhair Bin Reduan	15,326,985	5.48
5.	Yayasan Sarawak	11,604,939	4.15
6.	Amanah Khairat Yayasan Budaya Melayu Sarawak	6,467,471	2.31
7.	Dayak Cultural Foundation	5,315,000	1.90
8.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Islamic Trustee Berhad for The Amanah Khairat Yayasan Budaya Melayu Sarawak	5,137,468	1.84
9.	Lembaga Amanah Kebajikan Masjid Negeri Sarawak	5,000,000	1.79
10.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Law Kiu Kiong	3,500,000	1.25
11.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Hasmi Bin Hasnan	2,955,700	1.06

Analysis of Shareholdings
as at 31 March 2017

Top Thirty Shareholders (continued)

	Names	Holdings Number	%
12.	Law Kiu Kiong	2,460,000	0.88
13.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	2,267,300	0.81
14.	Cheng Ah Teck @ Cheng Yik Lai	1,800,000	0.64
15.	Lambaian Kukuh Sdn. Bhd.	1,481,600	0.53
16.	Tan Leng Moi	1,371,900	0.49
17.	Koperasi Permodalan Felda Malaysia Berhad	1,277,000	0.46
18.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	874,200	0.31
19.	Palmhead Holdings Sdn. Bhd.	829,000	0.30
20.	AMSEC Nominees (Tempatan) Sdn. Bhd. Assar Asset Management Sdn. Bhd. for Tabung Baitulmal Sarawak (Majlis Islam Sarawak) (FM-ASSAR-TBS)	750,000	0.27
21.	Universal Trustee (Malaysia) Berhad KAF Dana Adib	630,000	0.23
22.	Wong Kuo Hea	580,000	0.21
23.	Mohamad Bolhair Bin Reduan	500,000	0.18
24.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Lim Poh Ean (PB)	492,100	0.18
25.	Liew Men Khian	433,408	0.16
26.	Cartaban Nominees (Tempatan) Sdn. Bhd. DBS Vickers (Hong Kong) Limited for Teh Hong Eng	430,200	0.15
27.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Chu Yong	400,000	0.14
28.	CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Chen Yik (Penang-CL)	385,000	0.14
29.	Ismail Bin Mustapha @ Ikong Bin Mustapha	335,433	0.12
30.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank LTD (SFS)	332,000	0.12

Analysis of Shareholdings
as at 31 March 2017

Substantial Shareholders

Names of Substantial Shareholders	NRIC/ Registration No.	Malaysian/ Foreign	Nationality/ Country of Incorporation	Direct Holdings		Indirect Holdings (excluding bare trustees)	
				No.	%	No.	%
1. Cermat Ceria Sdn. Bhd.	449914-K	Malaysian	Malaysia	84,968,024	30.39	-	-
2. State Financial Secretary Sarawak	ORD211948	Malaysian	Malaysia	71,218,101	25.47	-	-
3. Lembaga Tabung Haji	ACT5351995	Malaysian	Malaysia	18,791,400	6.72	-	-
4. Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohamad Bolhair bin Reduan	16778M	Malaysian	Malaysia	15,326,985	5.48	-	-
5. Datuk Amar Abdul Hamed bin Sepawi	490531-13-5129	Malaysian	Malaysian	200,000	0.07	84,994,424	30.40

Directors' Direct and Indirect Shareholding in the Company

Names of Directors	Designation	Nationality	Direct Holdings		Indirect Holdings	
			No.	%	No.	%
1. Datuk Amar Abdul Hamed bin Sepawi	Chairman	Malaysian	200,000	0.07	84,994,424	30.40
2. Polit bin Hamzah	Group Managing Director	Malaysian	50,000	0.02	-	-
3. Hasmawati binti Sapawi	Non Executive Director	Malaysian	-	-	-	-
4. Umang Nangku Jabu	Independent Director	Malaysian	50,000	0.02	-	-
5. Datu Haji Chaiti bin Haji Bolhassan	Independent Director	Malaysian	100,000	0.04	-	-
6. Azizi bin Morni	Independent Director	Malaysian	-	-	-	-
7. Ali bin Adai	Independent Director	Malaysian	-	-	-	-

Recurrent Related Party Transactions (RRPT)

Breakdown of recurrent related party transactions ('RRPT') of a revenue or trading nature conducted with Sarawak Plantation Agriculture Development Sdn. Bhd. (SPAD), the Company's wholly owned subsidiary pursuant to shareholders' mandate during the financial year are as follows:

Name of related parties	Relationship	Nature of transactions	Aggregated Amount RM
Danawa Resources Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi is a director of SPB and also major shareholder of Danawa Resources Sdn Bhd	Rental and annual support fee for satellite broadband services	298,456
Intuitive Systems Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi is a director of SPB and his sister is a Director and shareholder of Intuitive Systems Sdn Bhd	Software support, customisation and maintenance fee for Estate Management System (EMS)	209,753
KUB Sepadu Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi is a director of SPB and a shareholder of Medan Sepadu Sdn Bhd, a company which holds 30% equity interest in KUB Sepadu Sdn Bhd Polit bin Hamzah is a director of SPB and also a director of KUB Sepadu Sdn Bhd	Purchase of fresh fruit bunches	18,883,425
Manis Oil Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi is a director of SPB and a shareholder of Ta Ann Holdings Berhad, a company which holds 100% equity interest in Manis Oil Sdn Bhd	Sale of fresh fruit bunches	2,835,768

Top 10 Properties

Registered Owner/Lessee	Estate/ Address	Title/Location	Description	Approximate Age of Building (years)
SPAD	Pinji Mewah 45KM off KM53, Miri-Bintulu Road via Beluru Bakong Road	Lot 32, Blk 20, Puyut LD Lot 3, Blk 30, Puyut LD	Land and Building	1
	Bakau 6KM off KM24 Selangau-Matadeng Road	Lot 12, Blk 13, Bawan LD	Land and Building	1 - 4
	Matadeng 5KM off KM35 Selangau-Matadeng Road	Lot 19, Mukah LD	Land and Building	1 - 3
	Tulai 3KM off KM20 Sibu/Sarikei Road	Lot 619, Blk 5, Tulai LD Lot 25, Tulai LD	Land and Building	1 - 11
	Mukah 1 KM12, Selangau- Matadeng Road	Part of Lot 23, 25, 54 & 55 Blk 8, Sikat LD	Land and Building	4 - 34
		Part of Lot 55, Blk 8, Sikat LD	Land and Building	1 - 36
	Melugu KM16, Sri Aman/ Serian Road	Lot 1, 2 and 85, Blk 11, Klauh LD. Lot 185-188 and 309-315 Melugu Town. Lot 44, 252, 298, 307, 319-321 Blk 7 Klauh LD. Lot 14, 26, 149, 250-252 Blk 12 Klauh Land. Lot 84 Blk 13 Klauh Land	Land and Building	1 - 14
	Subis 3 6KM off KM87 Miri-Bintulu Road	Part of Lot 15 and 17, Blk 18, Niah LD, Part of Lot 4, Blk 8, Bukit Kisi LD	Land and Building	4 - 34
	Ladang Tiga KM77 Miri-Bintulu Road	Lot 2, Lot 14, Blk 11, Niah LD, Lot 33 and 34, Blk 8, Bukit Kisi LD	Land and Building	1 - 40
		Part of Lot 2, Blk 11, Niah LD	Land and Building	1 - 40
	Mukah 3 20KM, Selangau- Matadeng Road	Lot 29, 33 and 61, Blk 12, Bawan LD	Land and Building	4 - 28
	Tugau 37KM off KM15, Sibu-Teku Road via Rantau Panjang Road	Lot 76, Blk 5, Retus LD	Land	-

PDE - Plantation Development Expenditure *Blk - Block* *LD - Land District*

Top 10 Properties

Year of Acquisition	Tenure/Expiry of Lease	Existing use	Land Area (Ha)	Net book value as at 31 December 2016		
				Land and building (RM)	PDE & Infrastructure (RM)	Total (RM)
2016	60 years/ 07.12.2070/ 23.09.2068	Oil palm activities/ residential	1,908	23,835,435	54,159,529	77,994,964
2009	60 years/ 06.03.2067	Oil palm activities/ residential/office store	3,993	13,039,825	52,180,121	65,219,946
2009	60 years/ 06.03.2067	Oil palm activities/ residential/office/store	1,848	8,969,163	39,729,950	48,699,113
1997	60 years/ 07.05.2063 31.12.2023	Oil palm activities/ residential/office/store	2,079	3,399,975	44,848,194	48,248,169
1997	60 years/ 11.06.2049	Oil palm activities/ residential/office/store	3,855	3,146,205	38,180,986	41,327,191
	60 years/ 01.06.2049	Mill/residential/office/ store	22	5,121,599	218,834	5,340,433
1997/2009	60 years/ 20.03.2060/ 31.12.2030/ 18.08.2068/ 21.01.2069/ 11.01.2069/ 11.09.2069/ 14.01.2069/ 07.09.2068	Oil palm activities/residential/ office/store	3,007	4,745,589	35,429,821	40,175,410
1997	60 years/ 06.05.2043/ 29.11.2057	Oil palm activities/ residential/office/ store	2,559	1,174,603	35,466,722	36,641,325
1997	60 years/ 06.05.2043 29.11.2057	Oil palm activities/ residential/office/store	2,232	5,087,755	15,710,438	20,798,193
	60 years/ 06.05.2043	Mill/residential/office/ store	19	9,784,620	2,295,949	12,080,569
1997	60 years/ 11.06.2049	Oil palm activities/ residential/office/ store	3,014	1,644,712	28,717,740	30,362,452
2016	60 years/ 28.9.2075	Oil palm activities	3,050	29,562,444	182,796	29,745,240

PDE - Plantation Development Expenditure　*Blk - Block*　*LD - Land District*

Cautionary Statement

This Annual Report contains some forward-looking statements in respect of the Company's financial condition, results of operations and business. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Readers are hereby cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements. In this respect readers must therefore not rely solely on these statements in making investment decisions regarding Sarawak Plantation Berhad. The Board and the Company shall not be responsible for any investment decisions made by the readers in reliance on those forward-looking statements. Forward looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events that would arise between the time of publication of this Annual Report and the time of reading this Annual Report. The Board has however established a Risk Management Committee to mitigate as much as practicably possible the consequences of any uncertainties and contingencies. Further details can be found in the Statement on Corporate Governance on pages 34 to 43 of this Annual Report.

Notice of Annual General Meeting

NOTICE is hereby given that the 20th Annual General Meeting of Sarawak Plantation Berhad will be held at Damai Beach Resort Teluk Bandung Santubong 93756 Kuching Sarawak on Thursday, 18 May 2017 at 10.00am to transact the following business:

AGENDA:

1. **AUDITED FINANCIAL STATEMENTS** — **Please refer to Note 7**

   To receive the Audited Financial Statements for the year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon

2. **APPROVAL OF DIRECTORS' FEES** — **Ordinary Resolution 1**

   To approve the Directors' Fees and any benefits payable in respect of the financial year ended 31 December 2016

3. **RE-ELECTION OF DIRECTOR**

   In accordance with Article 86 of the Company's Articles of Association, the following director retires from the Board and being eligible offers himself for re-election:

   Polit bin Hamzah — **Ordinary Resolution 2**

4. **RE-APPOINTMENT OF AUDITORS** — **Ordinary Resolution 3**

   To re-appoint Messrs. KPMG PLT as auditors for the Company and authorise the Directors to fix their remuneration

SPECIAL BUSINESSES

To consider and if thought fit to pass the following as Ordinary Resolutions:

5. **CONTINUATION IN OFFICE AS INDEPENDENT NON EXECUTIVE DIRECTORS PURSUANT TO RECOMMENDATION 3.3 OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012**

   (a) "THAT approval be and is hereby given to Umang Nangku Jabu who has served as an Independent Non Executive Director of the Company for a cumulative term of more than nine years to continue to act as an Independent Non Executive Director of the Company until the conclusion of the next Annual General Meeting." — **Ordinary Resolution 4**

   (b) "THAT approval be and is hereby given to Azizi bin Morni who has served as an Independent Non Executive Director of the Company for a cumulative term of more than nine years to continue to act as an Independent Non Executive Director of the Company until the conclusion of the next Annual General Meeting." — **Ordinary Resolution 5**

6. **AUTHORITY TO ALLOT AND ISSUE SHARES** — **Ordinary Resolution 6**

   "THAT pursuant to Section 76 of the Companies Act 2016 and subject always to the Company's Articles of Association and approval of the relevant authorities, the Directors of the Company be and are hereby empowered to issue and allot shares in the Company from time to time and 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 issued pursuant to the resolution does not exceed 10% of the Issued Share Capital of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."

7. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS (RRPT) OF A REVENUE OR TRADING NATURE **Ordinary Resolution 7**

"THAT approval be and is hereby given to the Company and its subsidiaries to enter into RRPT of a Revenue or Trading Nature as set out in Section 2.5 of the Circular to Shareholders dated 25 April 2017 ("Circular") with the specific related parties mentioned therein which are necessary for the Group's day to day operations, subject to the following:

(a) That the RRPT are entered into on generally acceptable commercial terms not more favourable to the mandated related parties, they are at arm's length and are not prejudicial to the interests of the minority shareholders; and

(b) A disclosure of the aggregate amount of RRPT conducted pursuant to the Proposed Renewal of Shareholders' Mandate shall be made in the Annual Report, including a breakdown of the aggregate value of the RRPT made during the financial year, amongst others, based on the following information:

(i) The type of recurrent transactions made; and

(ii) The names of the related parties involved in each type of recurrent transaction made and their relationship with the Company

AND THAT such approval shall continue to be in force until:

(i) The conclusion of the next Annual General Meeting (AGM) of the Company;

(ii) The expiration of the period within which the next AGM of the Company subsequent to this 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 maybe allowed pursuant to Section 340(4) of the Act); or

(iii) Revoked or varied by resolution passed by the shareholders in general meeting;

Whichever is the earlier

AND THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate for the period from this AGM to the next AGM."

8. PROPOSED RENEWAL OF AUTHORITY TO PURCHASE OWN SHARES **Ordinary Resolution 8**

"THAT subject always to the Companies Act 2016 and all other applicable laws, guidelines, rules and regulations, the Directors of the Company be and are hereby unconditionally authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company provided that:

(a) The aggregate number of shares to be purchased and / or held pursuant to this resolution does not exceed 10% of the total number of Issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

(b) An amount not exceeding the Company's retained profits based on the latest audited Financial Statements be allocated for the proposed share buy back;

8. PROPOSED RENEWAL OF AUTHORITY TO PURCHASE OWN SHARES (continued) **Ordinary Resolution 8**

(c) The Directors of the Company may decide in their discretion to retain the ordinary shares in the Company as Treasury Shares and / or cancel them and / or resell them and / or distribute them as share dividends

AND THAT authority be and is hereby given to the Directors of the Company to act and to take all such steps and to do all things as are necessary or expedient to implement and finalise and give effect to the Proposed Share Buy Back;

AND THAT such authority conferred by the resolution will commence immediately and shall continue to be in force until the conclusion of the next AGM of the Company following the passing of this ordinary resolution, unless revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting."

9. TO TRANSACT ANY OTHER ORDINARY BUSINESS OF WHICH DUE NOTICE SHALL HAVE BEEN GIVEN

BY ORDER OF THE BOARD

TRINA TAN YANG LI (0666-KT032)
Company Secretary
Kuching Sarawak
Dated this 25 April 2017

NOTES:

1. A Member entitled to attend, participate, speak and vote at this 20th AGM of the Company may appoint another person as his proxy to attend, participate, speak and vote on his behalf. A proxy need not be a Member of the Company.
2. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorized.
3. A Member shall not be entitled to appoint more than 2 proxies to attend, participate, speak and vote on his behalf at this 20th AGM provided the Member is an authorized nominee as defined under the provisions of the Securities Industry (Central Depositories) Act 1991. In which event it may appoint up to 2 proxies in respect of each Securities Account it holds with ordinary shares in the Company standing in the credit of the Securities Account. When a Member appoints more than 2 proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a Member of the Company is an exempt authorised nominee who 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.
5. To be valid, the instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01 Level 32 Tower A Vertical Business Suite Avenue 3 Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur not less than 48 hours before the time set for holding this 20th AGM or any adjournment thereof.

   If there is any alteration to the instrument appointing a proxy, the same must be initialed.
6. In respect of deposited securities, only Members whose name appears on the Record of Depositors as at 11 May 2017 shall be eligible to attend, participate, speak and vote at this 20th AGM.
7. Pursuant to Section 340(1) of the Companies Act 2016, the Audited Financial Statements are meant for discussion only and do not require the shareholders' formal approval. Hence this item on the Agenda is not put forward for voting.

Notice of Annual General Meeting

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. **Ordinary Resolution 4 & 5 - Continuation in Office as Independent Non Executive Director**

   The Board through the Remuneration and Nomination Committee has assessed the independence of Umang Nangku Jabu and Azizi bin Morni, both of whom have served as Independent Non Executive Directors for a cumulative term of more than nine years, and recommends that they continue to act as Independent Non Executive Directors for the following reasons:

   (a) They fulfill the criteria under the definition of "Independent Director" as stated in the Listing Requirements and are therefore able to give to the Board opinion / advise which is unbiased and objective;

   (b) They have over the years gained knowledge and insight into the business hence have become experienced independent directors; and

   (c) Further for Umang Nangku Jabu, she is the only Independent Director qualified to chair the Audit Committee and is one of two women on the Board of the Company thus maintaining gender diversity in the Board's composition.

2. **Ordinary Resolution 6 - Authority to Allot and Issue New Shares**

   This proposed resolution, if passed, will empower the Directors of the Company to issue and allot Ordinary Shares from the unissued capital of the Company up to an aggregate amount not exceeding 10% of the Issued Share Capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM. The general mandate will provide flexibility to the Company for any possible fund raising activities, including but limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions. As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the 19th AGM held on 20 May 2016.

3. **Ordinary Resolution 7 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature**

   This ordinary resolution, if passed, will authorise the Company and its subsidiaries to transact with mandated related parties for the period from this AGM till the next AGM. Please refer to Part I of the Circular to Shareholders dated 25 April 2017 for further details.

4. **Ordinary Resolution 8 - Proposed Renewal of Authority to Purchase Own Shares**

   Please refer to Part II of the Circular to Shareholders dated 25 April 2017 for further details.

STATEMENT ACCOMPANYING NOTICE OF AGM:

There is no person seeking election as Director of the Company at this Annual General Meeting.

CDS Account no. of Authorized Nominee:

Form of Proxy

SARAWAK PLANTATION BERHAD
COMPANY NO. 451377-P
INCORPORATED IN MALAYSIA

I / We ....

NRIC No. / ID No. / Company No .... (new) .... (old)

of ....

being a member of SARAWAK PLANTATION BERHAD, hereby appoint ....

NRIC No. / ID No. .... (new) .... (old)

of ....

or failing which the Chairman of the Meeting as my / our proxy / proxies to vote for me on my / our behalf at the 20th Annual General Meeting of the Company to be held at Damai Beach Resort Teluk Bandung Santubong 93756 Kuching Sarawak on Thursday, 18 May 2017, at 10.00am or at any adjournment thereof, in the manner as indicated below:

RESOLUTIONS		FOR	AGAINST
Ordinary Resolution 1	Approval of Directors' Fees		
Ordinary Resolution 2	Re-Election Of Director		
Ordinary Resolution 3	Re-Appointment Of Auditors		
Special Businesses:			
Ordinary Resolution 4	Continuation in Office as Independent Non Executive Directors Director: Umang Nangku Jabu		
Ordinary Resolution 5	Continuation in Office as Independent Non Executive Directors Director: Azizi bin Morni		
Ordinary Resolution 6	Authority To Allot And Issue Shares		
Ordinary Resolution 7	Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions (RRPT) Of A Revenue Or Trading Nature		
Ordinary Resolution 8	Proposed Renewal of Authority to Purchase Own Shares		

(Please indicate with an "X" in the spaces above how you wish your votes to be casted on the resolutions specified in the Notice of Meeting. If no specific direction as to the voting is indicated, the proxy / proxies will vote or abstain from voting as he / she / they think fit.)

Notes:

1. A Member entitled to attend, participate, speak and vote at this 20th AGM of the Company may appoint another person as his proxy to attend, participate, speak and vote on his behalf. A proxy need not be a Member of the Company.
2. If the appointer is a corporation, this form must be executed under its common seal or under the hand of an officer or attorney duly authorized.
3. A Member shall not be entitled to appoint more than 2 proxies to attend, participate, speak and vote on his behalf at this 20th AGM provided the Member is an authorized nominee as defined under the provisions of the Securities Industry (Central Depositories) Act 1991. In which event it may appoint up to 2 proxies in respect of each Securities Account it holds with ordinary shares in the Company standing in the credit of the Securities Account. When a Member appoints more than 2 proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a Member of the Company is an exempt authorised nominee who 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.
5. To be valid, the instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01 Level 32 Tower A Vertical Business Suite Avenue 3 Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur not less than 48 hours before the time set for holding this 20th AGM or any adjournment there of.
   If there is any alteration to the instrument appointing a proxy, the same must be initialed.
6. In respect of deposited securities, only Members whose name appears on the Record of Depositors as at 11 May 2017 shall be eligible to attend, participate, speak and vote at this 20th AGM.

Dated this ...... day of 2017

....
Signature of Shareholder(s) /
Common Seal

Number of Shares

Fold line

STAMP

The Company Secretary

SARAWAK PLANTATION BERHAD

8th Floor, Wisma NAIM, 2½ Mile, Rock Road
93200 Kuching, Sarawak.
Tel: 082-233550 Email: info@spbgroup.com.my

Fold line

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Tel: 082-233550
Email: info@spbgroup.com.my

BUSINESS OFFICE
Lot 1174, Block 9, MCLD Miri Waterfront,
Jalan Permaisuri, 98000 Miri, Sarawak.
Tel: 085-413814
Email: info@spbgroup.com.my

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