Rimbunan Sawit

RIMBUNAN SAWIT BERHAD (691393-U)

Sustaining Wellness

ANNUAL REPORT 2016

CONTENTS

VISION & MISSION

VISION

To be a leading
agri-business and
plantation group in Asia Pacific.

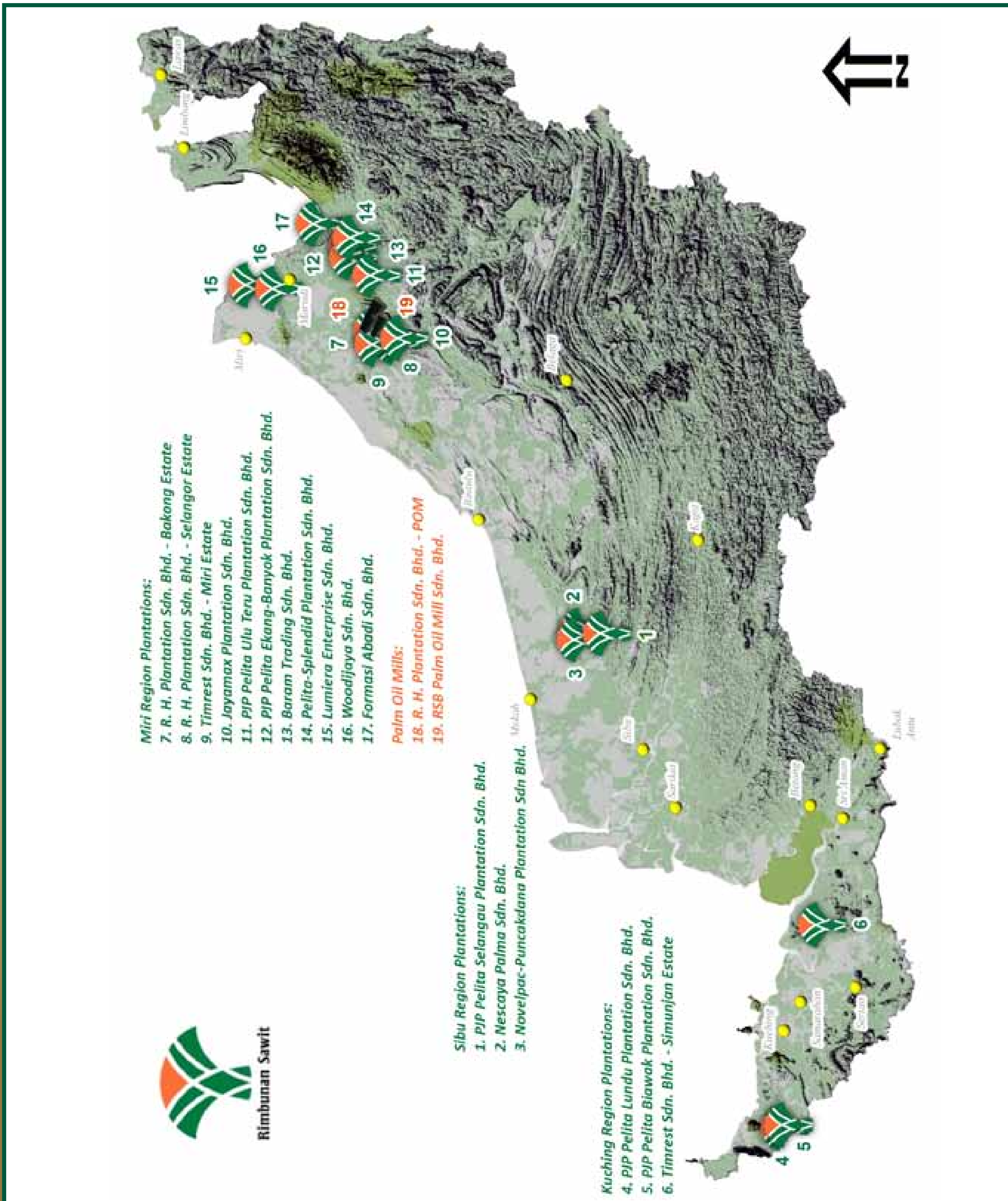
MISSION

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

CORPORATE CULTURE BASED ON 5 VALUES:

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

LOCATIONS OF OPERATIONS



CORPORATE STRUCTURE

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

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

Dato' Jin Kee Mou
(Chief Executive Officer)

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

Bong Wei Leong
(Independent Director)

Tiong Ing Ming
(Independent Director)

COMPANY SECRETARIES

Toh Ka Soon (MAICSA 7031153)

Voon Jan Moi (MAICSA 7021367)

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

STOCK EXCHANGE LISTING

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

PRINCIPAL BANKERS

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

CHAIRMAN'S STATEMENT

TO OUR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Rimbunan Sawit Berhad, it is my pleasure to present to you the Annual Report of our Company and Group for the financial year ended 31 December 2016.

2016 has been an eventful year with some unprecedented outcomes from the presidential election in United States (US) to Brexit in United Kingdom. All these have stirred further volatility to our Ringgit Malaysia against US Dollar (USD), which has weakened to RM4.4990 per USD by December 2016. The weakening of Ringgit has inadvertently boost the Crude Palm Oil (CPO) price, which has already been on upward trend since the middle of 2016 owing to the substantial drop in Fresh Fruit Bunches (FFB) production resulted from the El Nino impact. With CPO price breaching RM3,000 per metric tonne towards end of November 2016, Palm Kernel (PK) price has also achieved parity with CPO while FFB price touching RM700 per metric tonne level.

Despite all the uncertainties and challenges, the Group has demonstrated its ability to seek and ride on every short-lived opportunity that would generate greater return to the Group. In fact, our revenue improved 36% and 5% to RM250.6 million as compared to 2015 and 2014 respectively. To ensure the carrying amount of our Assets are fairly refllected, the Group has provided impairment of RM28.7 million, which resulted in higher loss after taxation of RM75.7 million compared to 2015 of RM67.2 million. On the contrary, the Group managed to register higher Earnings before Interest, Taxation, Depreciation, and Amortisation (EBITDA) by 39.6% to RM41.2 million compared to 2015 of RM29.5 million. The Group financial performance will be further elaborated in the Management Discussion & Analysis section.

Corporate Development

The Group has taken various key initiatives to ensure its sustainability in maximizing positive returns. Amongst others, the Group has reviewed the viability of its existing estates and mills portfolio and to further improve its existing value chains. Further to these initiatives, the Group has entered into agreements on acquisition and disposal of estates and mill on 22 February 2017. In addition, the Group has made the effort to reassess its existing Corporate Supports at Head Office level to further streamline their functions and effectiveness.

Outlook and Prospect

The CPO price is expected to experience downward pressure towards the third quarter of 2017 as FFB production expected to recover by then while the impact from Ringgit fluctuation against USD is expected to be minimal in line with clearer policy direction from the US. Uncertainty remains on the CPO market demand but the Group committed to be vigilant in improving its productivity and efficiency.

Acknowledgements

I would like to thank our shareholders, valued customers and suppliers, business partners, bankers, government agencies and other stakeholders for their continued trust and support to our Group.

On behalf of the Board of Directors, our utmost appreciation reserves for all the employees of Rimbunan Sawit Berhad for their unwavering commitment and dedication to the Group.

TIONG CHIONG ONG
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Business and Operations, Objectives and Strategies

The Group main business is cultivation of oil palm and operation of palm oil mill. As at 31 December 2016, total area planted stood at 55,110 hectares, which is approximately 60% of our total land bank of 92,312 hectares. The following table depicts the age cluster of our oil palm.

Age Cluster	2016 (ha)	2015 (ha)
Immature (1-3 years)	11,350	14,145
Young mature (4-7 years)	13,922	13,228
Prime mature (8-19 years)	25,558	26,937
Old mature (>20 years)	4,280	2,907
Total planted area	**55,110**	**57,217**

The reduction in planted area is due to areas that have aged beyond the old mature cluster is being slated for replanting, which has commenced in 2014. The Group is targeting 3,853 hectares to be replanted over the next four years while another 4,251 hectares have been earmarked for replanting from 2019 onwards. This is imperative to ensure the sustainability of our FFB yield for the years to come. As at 31 December 2016, 585 hectares have been replanted. Our oil palm estates are located at three main regions, mainly Kuching region, Sibu region, and Miri region. The planted hectare by regions is as per the table.

Planted Ha by Region	2016 (ha)	2015 (ha)
Kuching region	13,240	13,259
Sibu region	9,684	10,644
Miri region	32,186	33,314
Total planted area	**55,110**	**57,217**

The Group has two palm oil mills in Miri region. The RHP palm oil mill (RHPOM) already in operation since 1998 with annual capacity of processing 490,000 metric tonne FFB. RSB palm oil mill (RSBPOM), which was scheduled to be commissioned in 2016 is now expected to operate by second quarter of 2017. With low FFB production plaguing the whole plantation industry in 2016, the Group took the opportunity to withhold the commissioning of RSBPOM to further calibrate and refine its machineries and infrastructures, which will cater for better efficiency in production. RSBPOM will have annual capacity of processing 370,000 metric tonne FFB.

Throughout 2016, the Group has undertaken three key initiatives to sustain its productivity and to strive for positive returns for its stakeholders.

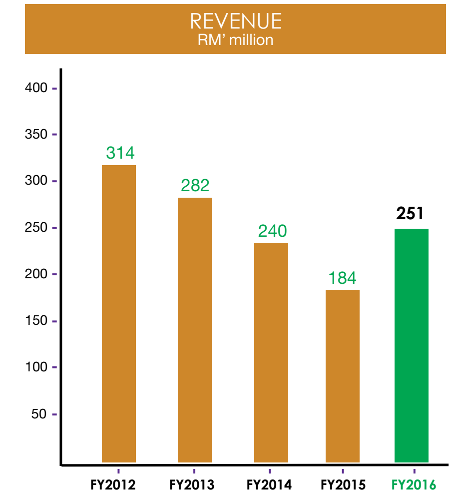
The Group revisited its existing business model and carried out viability assessment on all its existing assets, mainly oil palm estates and mill to optimize and balanced the returns between FFB and CPO. On 22 February 2017, the Group has entered into agreements to acquire Lundu palm oil mill and Sastat estate. The mill is expected to upgrade the contribution from our Kuching Region while the estate will cater for the mills in Miri Region. Concurrently, the Group has entered into agreement to dispose Simunjan estate, which is under Licensed Planted Forest (LPF) 0035 to further streamline our operation at Kuching Region.

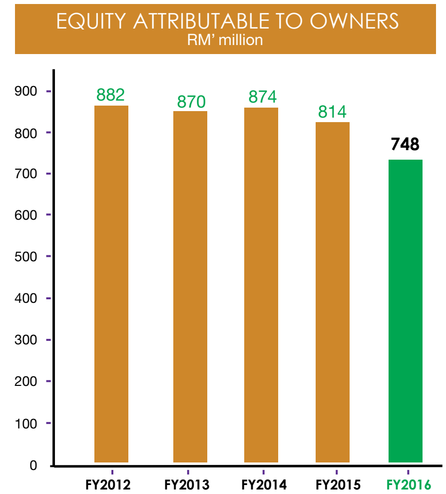
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

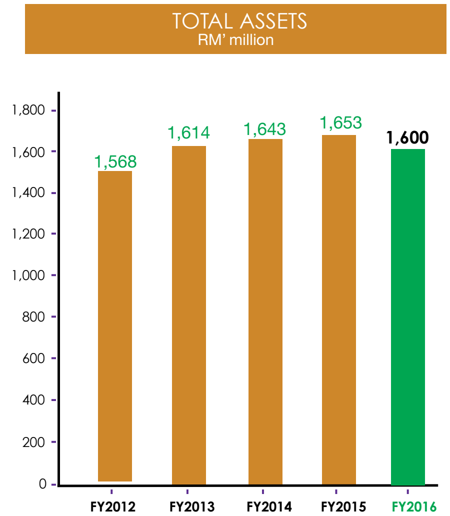
Next, the Group has made further progress in its initiative to review and refine existing value chain to address the on-going challenges impacting our key processes and deliverables. In terms of mechanization of infield collection, purchases of crawlers and wheeler machines have been made while on the ground preparation such as compacting of harvesting row (peat soil) and leveling of harvesting path (mineral soil) are underway. In terms of Malaysian Sustainable Palm Oil (MSPO) certification, Jayamax Estate in our Miri Region has been selected as pilot project and is expected to be certified by third quarter of 2017. As for our mill, RHPOM is planning to obtain Code of Practice (CoP) certification as part of our continuous effort to achieve higher level of sustainability certification apart from maintaining our ISO 9001:2008 standard. This ensures our Vision as a leading planter in Asia Pacific and our Mission to produce products of high quality remains intact.

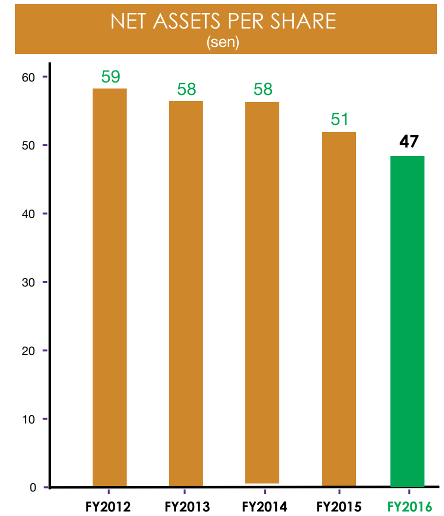
An equally important initiative that the Group has implemented is the realignment and streamlining of its Corporate functions at Head Office level to better steer and align Business units with Corporate direction. Redeployment of resources, creation of sub-departments and revitalization of KPI implementation ensure critical functions are better served within a conducive work environment.

Key Financial Information for the past 5 financial years









MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The following table is a snapshot of key financial information for the past five financial years.

No	Financial (RM'000)	2016	2015	2014	2013	2012
1	Revenue	250,573	184,209	239,684	282,234	313,867
2	EBITDA	41,184	29,505	77,587	62,939	95,562
3	Profit/(Loss) after taxation	(75,729)	(67,175)	2,753	(1,892)	19,982
4	Equity attributable to owners	747,701	814,366	874,311	869,541	882,370
5	Total assets	1,600,136	1,652,814	1,642,537	1,613,877	1,567,845
6	Borrowings	585,205	557,330	483,218	455,625	363,698
7	Debt to Equity Ratio	0.74	0.64	0.50	0.48	0.38
8	Earnings / (Loss) per share (sen)	(3.27)	(2.94)	0.23	0.11	1.04
9	Net assets per share (RM)	0.47	0.51	0.58	0.58	0.59

Review of Financial Results

The Group Revenue improved significantly by 36% to RM250.6 million compared to 2015 of RM184.2 million. The improvement was mainly attributable to higher commodity price with CPO improved by 25% to RM2,577 per metric tonne, FFB climbed by 34% to RM513 per metric tonne while PK surged by 64% to RM2,439 per metric tonne. In addition, the increase in CPO and PK sales volume by 26% and 13% respectively has further contributed to the improvement in Group revenue. However, the improvement was negated by lower FFB sales volume by 13% in line with lower production volume.

Pre-tax loss increased by 4% to RM77.1 million compared to 2015 of RM74.2 million mainly due to higher administrative expenses by RM13.7 million. Cost of sales increased by RM56.4 million mainly attributable to higher FFB cost and quantity consumed by mill, which is in line with high FFB price, also due to upsurge in manuring expenses owing to increase in manuring activities, and additional amortization provided for biological assets as our matured area expanded further.

Of the RM65.1 million administrative expenses incurred for 2016, 63% was made up of the impairment loss on non-current assets including goodwill amounting to RM28.7 million and impairment provision on receivables amounting to RM12.3 million.

The impairment loss on the non-current assets and goodwill was provided on three estates, mainly Simunjan, Selangor, and Lundu. For Simunjan Estate, RM11.7 million impairment was provided on its biological assets, property, plant and equipment, and intangible asset based on the latest valuation report on Simunjan Estate, which was carried out in conjunction with the proposed disposal of Simunjan Estate as announced by the Group on 22 February 2017. In relation to the Group's initiative to review its existing assets portfolio, the Group has undertaken to ensure the carrying amount of its estates are fairly stated to its recoverable amount in line with Financial Reporting Standard (FRS) 136 – Impairment of Assets. As a result, the Group has provided RM13.0 million impairment on Selangor Estate's biological assets and property, plant and equipment while another RM4.0 million impairment was provided on Lundu Estate's goodwill.

In 2015, the Group provided impairment loss of RM19.1 million on its investment in associate, Lubuk Tiara Sdn. Bhd. Subsequently, in 2016, based on the recoverability assessment on the amount owing by Lubuk Tiara Sdn. Bhd. to the Group, the RM12.3 million provision was provided.

Finance cost lowered by 11% to RM12.6 million compared to 2015 of RM14.1 million mainly due to repayment of revolving credit facilities. Thus, the Group's weighted average interest rate on borrowings have reduced from 5.11% in 2015 to 4.98% in 2016 due to higher proportion of term loans and bankers' acceptance that carry lower funding costs.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Loss after taxation expanded by 13% to RM75.7 million compared to 2015 of RM67.2 million partly due to the reversal of deferred tax asset amounting to RM4.5 million, which resulted in lower tax income of RM1.4 million in 2016 as compared to 2015 of RM7.1 million.

Non-current assets reduced by RM41.0 million mainly because of the RM28.7 million impairment made on property, plant and equipment, intangible asset, biological assets, and goodwill, which was in correspond with the proposed disposal of Simunjan Estate and the impairment assessment carried out under FRS 136.

Trade receivables surged by RM11.3 million compared to 2015 in line with higher CPO and FFB sales at year end pending collection. Inventories dropped by RM9.8 million mainly due to reduction in nursery stock by RM7.3 million as planting activities have increased. Trade payables upped by RM11.2 million mainly attributable to increase in purchases of fertilizers towards financial year-end.

Total borrowings stood at RM585.2 million, which is an increase of RM27.9 million compared to 2015 due to drawdown of new term loan and utilization of additional bankers' acceptance. As such, the Group's gearing ratio has increased to 0.74 times as compared to 0.64 times in 2015. The gearing ratio is expected to improve once the proposed disposal of Simunjan Estate is completed as part of the sales proceeds from the disposal will be allocated for the repayment of borrowings.

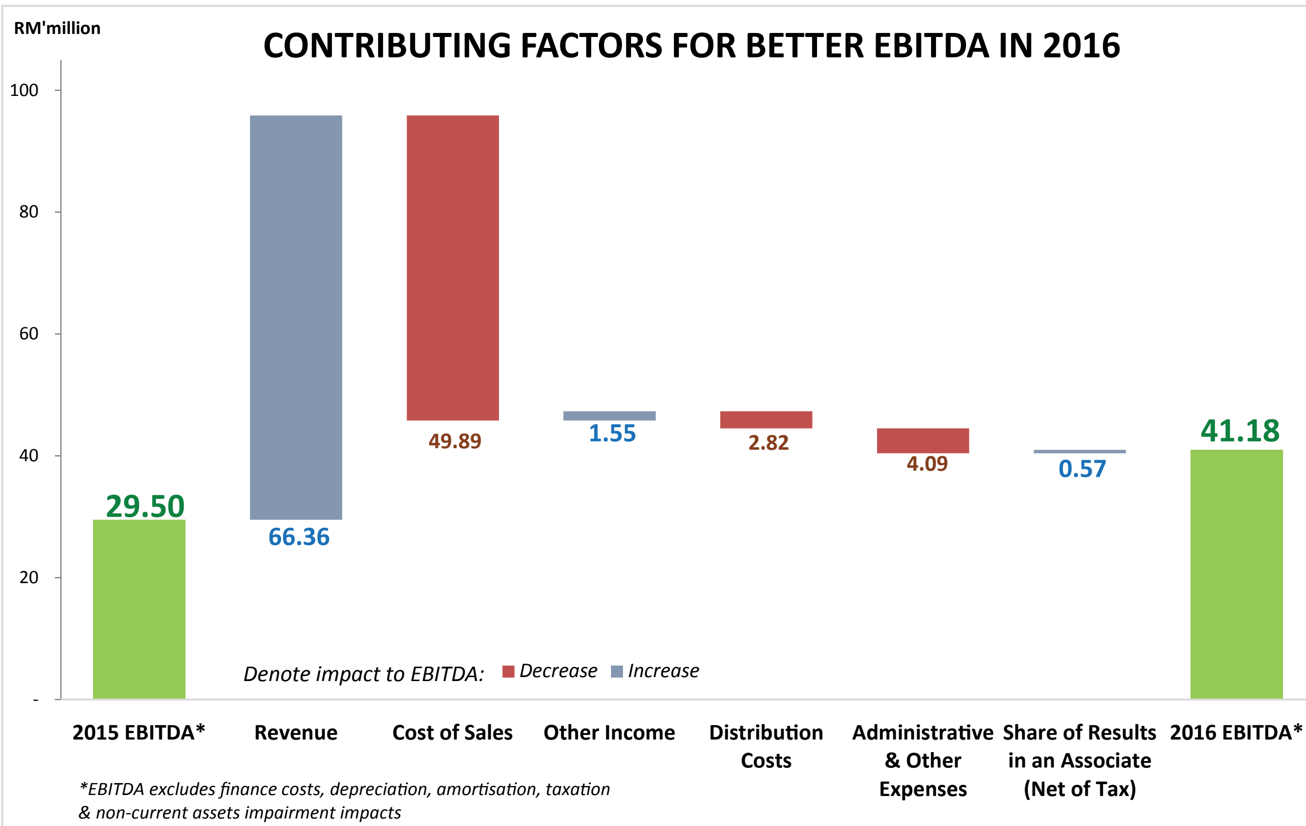
Review of Operating Activities

The Group EBITDA has improved by 40% to RM41.2 million as compared to RM29.5 million recorded in 2015. The improvement was mainly contributed by higher revenue of RM66.4 million as CPO sales registered a stark increase of 58% compared to 2015 of RM81.3 million. With better CPO price averaging more than RM2,500 per metric tonne, the Group churned in higher CPO sales volume of 49,706 metric tonnes on the back of better CPO production volume. To allay low FFB yield, the Group has sourced FFB from smallholders and medium-sized planters to increase the FFB processed by 21% to 241,782 metric tonnes. PK sales has improved by RM11.8 million to RM25.6 million as compared to 2015 of RM13.8 million due to better pricing and sales volume.

The increase in EBITDA was buffeted by higher production costs, which expanded by RM49.9 million mainly due to increase in mill's FFB processed by RM49.1 million as a result of higher FFB purchase price and volume by 34% and 21% respectively. Backed by higher purchases of fertilizers, manuring activities have picked up substantially resulted in the increase in manuring expenses by RM14.9 million compared to 2015 and it is also 2.3 times higher compared to 2014. Plantation administrative costs have also increased by RM5.2 million mainly attributable to higher labor costs, which was in line with the additional increase under Minimum Wages Order. The Group has incurred approximately RM2.0 million of rehabilitation costs in the form of weeding, upkeep and maintenance, and road, bridges, and culvert in order to rectify certain areas of the estates that have not been properly maintained. The chart on the following page depicts the factors that impact the EBITDA movement.

Distribution costs upped by RM2.8 million due to higher volume of CPO and PK transported. It is also attributable to increase in State Sales Tax due to higher CPO and PK price. Administrative expenses increased by RM4.1 million mainly due to the RM12.3 million impairment loss provided on the amount owing by Lubuk Tiara Sdn. Bhd.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)



The following table indicates key operating indicators for the past three financial years.

No	Key Operating Indicators	2016	2015	2014
1	CPO Production Volume (MT)	49,105	40,739	43,936
2	PK Production Volume (MT)	10,595	9,206	10,782
3	FFB Production Volume (MT)	345,180	396,561	436,380
4	OER (%)	20.31	20.35	20.03
5	KER (%)	4.38	4.60	4.91
6	FFB Yield per Ha (MT/Ha)	7.89	9.21	11.15
7	CPO Sales Volume (MT)	49,706	39,524	46,818
8	PK Sales Volume (MT)	10,502	9,310	10,598
9	FFB Processed (MT)	241,782	200,153	219,306

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Dividend Policy

The Board did not recommend final dividend to be paid for the financial year ended 31 December 2016 in view of the loss after taxation position.

Anticipated or Known Risks

Operational risk in terms of shortages of plantation workers remains as a significant risk to the Group. As plantation is a labor intensive industry, most of the critical processes such as harvesting, manuring, upkeep and maintenance are heavily relied on manpower. Without sufficient manpower, there will be delay in manuring and upkeep that would have significant impact on FFB yield. Similarly, lack of harvesters will lead to lesser FFB harvested and overripe FFB. Consequently, the Group revenue will be adversely affected due to reduced quantity produced and lower OER. For long run, the Group has invested on machineries and infrastructure as part of its mechanization initiatives to alleviate this operational risk.

Political risk in terms of changes in government policy is also one of the significant risks. Any changes in government policy pertaining to minimum wages, foreign workers levy, foreign workers insurance and others may have substantial impact on the Group's operating costs. As such, the Group has been committed to enhance its costs efficiency to address the above risk.

Forward-looking Statements

The Group is expected to achieve higher FFB production in 2017 as the FFB yield is expected to recover by third quarter of 2017. With the commissioning of RSBPOM by second quarter of 2017 and the completion of the acquisition of Lundu Mill by second quarter of 2017, the Group expects further improvement to the CPO production. As such, with higher production, the Group expects better revenue from CPO and FFB sales.

However, the market demand for CPO remain uncertain due to potential slowdown of economic growth in China while the CPO price movement is also affected by the fluctuation of Ringgit Malaysia against the US Dollars, which continues to be influenced by any new policy changes in the US.

DATO' JIN KEE MOU
Chief Executive Officer

PROFILE OF DIRECTORS

TAN SRI DATUK SIR DIONG HIEW KING @ TIONG HIEW KING
Aged 82 / Male / Malaysian
Executive Director

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

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

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

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

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

PROFILE OF DIRECTORS (CONT'D)

TIONG CHIONG ONG

Aged 58 / Male / Malaysian
Chairman / Non-Independent Non-Executive Director

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

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

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

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

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

TIONG KIONG KING

Aged 69 / Male / Malaysian
Vice Chairman/ Non-Independent Non-Executive Director

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

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

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

PROFILE OF DIRECTORS (CONT'D)

DATO' JIN KEE MOU
Aged 51 / Male / Malaysian
Chief Executive Officer

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

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

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

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

TIONG CHIONG IE
Aged 46 / Male / Malaysian
Non-Independent Non-Executive Director

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

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

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

PROFILE OF DIRECTORS (CONT'D)

BONG WEI LEONG

Aged 49 / Male / Malaysian
Independent Director

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

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

Mr. Bong is a businessman with more than 23 years of experience in providing auditing, accounting and taxation services to various clients. He also sits on the board of CCK Consolidated Holdings Berhad, a public listed company.

TIONG ING MING

Aged 59 / Male / Malaysian
Independent Director

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

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

PROFILE OF DIRECTORS (CONT'D)

OTHER INFORMATION ON DIRECTORS

1. Family Relationship

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

2. Conflict of Interest

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

3. Convictions of Offences

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

4. Details of Attendance at Board Meetings held in the financial year ended 31 December 2016

Name of Directors	Number of Meetings Attended
Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	5 out of 5
Tiong Kiong King	5 out of 5
Tiong Chiong Ong	5 out of 5
Dato' Jin Kee Mou	5 out of 5
Tiong Chiong Ie	4 out of 5
Bong Wei Leong	5 out of 5
Tiong Ing Ming	5 out of 5

KEY SENIOR MANAGEMENT

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

DATO' JIN KEE MOU
Chief Executive Officer

The profiles of Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King and Dato' Jin Kee Mou are listed under Profile of Directors on pages 14 and 16 respectively of this annual report.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

In 2016, RSB embarked on a new journey to achieve new heights in sustainability by implementing requirements to achieve Malaysian Sustainable Palm Oil (MSPO) certification. RSB also continues to fulfill its corporate social responsibilities (CSR) with various CSR activities and contributions.

(A) Marketplace

In line with the government policy to ensure that all Malaysian palm oil are produced in a sustainable manner and sustainably certified in order to have wider access to world market, RSB focuses on the following areas:

Quality Products

RSB Group continues to maintain the ISO 9001 accreditation to ensure that we are delivering the high quality products at our mill. This shall eventually be replaced by Malaysian Standard (MS) 2530 of MSPO standard.

RSB engages closely with oil palm smallholders as one of the main suppliers of Fresh Fruit Bunch (FFB) to its palm oil mill. This is to ensure traceability of the FFB that they have supplied. Competitive prices as advised by MPOB are offered to the smallholders based on the quality of the FFB that they supplied.

At our palm oil estates, to ensure that only good quality FFB are harvested, new harvesters are trained so that they only harvest ripe FFB bunches. To complement this, checkers are trained to closely check on the quality of harvested FFB. Only quality FFB are evacuated to the palm oil mills.

Best Practices

The standard operation procedures for our estates operation, which include good agriculture practices, safety & health, and palm oil mill, are continuously being improved. Training courses are conducted so that our employees at the estates and mills could adopt and follow these procedures to enhance efficiency and effectiveness constantly.

Manual and computerised records of productions are maintained for our estates and mills to provide traceability of our products.

Staff Training

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (CONT'D)

(B) Environment

As part of our sustainable practices towards achieving MSPO certification, we have always taken necessary steps to reduce our environmental impacts. We recognise the need to maintain High Conservation Value (HCV) areas, and to protect rare and endangered species. Our operation adopts environmental management practices guided by local regulations.

New plantings are planned and managed to ensure identified HCV are maintained. We involved all stakeholders, plus regulatory bodies on environment, land & survey, and local communities. We are committed to zero burning on land clearance for our estates; in compliance with regulations, all land preparations for planting are done using mechanical clearing instead of burning.

Water sources that are important for surrounding communities and local wildlife have been identified and maintained as HCV areas. Signboards are erected at our sites as reminder not to disturb or hunt wild animals classified as protected species.

We take soil conservation seriously to minimise soil erosion and soil improvement by using organic fertilizer. Leguminous cover crops are used to maintain soil structures and suppress weeds. We also recycle Empty Fruit Bunches (EFBs) as soil improver.

Hazardous wastes, mainly lubricants and used chemical containers, are collected in accordance with regulations and are disposed by licensed disposal companies.

Donation to Clinic

Dividend Payment

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (CONT'D)

(C) Community

RSB fulfills its CSR by providing assistance to local communities nearby its estates and mills, such as lending of machines to level land for new longhouse site, providing road access, maintenance of roads and bridges.

Contributions were given to schools and rural government clinics in the form of sponsorships to enhance the social well-being of the local communities. Our employees also participated in a blood donation drive for the Sibu General Hospital blood bank in May 2016.

In 2016, RSB continues with its on-job-training (OJT) program that provides opportunity for rural school leavers to pursue their study in plantation management at diploma level. These trainees are attached for on the job training for a period of 2 years at our estates. Trainees who had successfully completed their study were recruited to fill up available vacancies at our estates throughout Sarawak.

RSB continues with joint-venture projects that have developed native customary rights (NCR) land into oil palm estates. At most of these estates, job opportunities are given to landowners and local communities. Some are also engaged as petty contractors on field and for upkeep works. Annual dividends are paid out to native participants of these joint-ventured oil palm estates.

Family Day

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (CONT'D)

(D) Workplace

Staff Training and Development

We recognise the benefits of continuous training and development for our employees, especially with the challenges faced by the oil palm industry, including new regulatory compliances. Our ongoing training and development program enables us to upgrade and update the skills and knowledge of our employees of the industry changes and latest development in the respective subjects and profession. The training also allows our employees to constantly advance, delivering better performance to the organisation, thus enabling the Company to remain competitive in the marketplace. Our employees have a much higher sense of job satisfaction, thus improving their motivation towards their work. This reduces employee turnover, increases productivity and at the same time to prepare them for future career progression.

Training Needs Analysis (TNA) is done annually together with the annual performance appraisal in order to identify the training needs of our employees. From this, training programs and plans are developed to deliver the required training for the betterment of their performance and that of the organisation.

Recognising Diversity

Recognising the importance of fostering good relationship among employees of diverse ethnics, the company allocates annual budget for organising of events to achieve this objective. The events include gatherings for employees to celebrate Chinese New Year, Gawai Dayak, Hari Raya Puasa and Christmas.

Places of worship such as surau and chapels are made available at the estates and mills to cater for the spiritual needs of local and foreign workers at the sites.

Staff Orientation

Livestock Rearing Project

Table Tennis Competition

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (CONT'D)

Safety and Health

Safety briefings and training sessions have been conducted continuously for employees to create awareness on safety at work. Safe Operating Procedures are made available and employees at work sites are constantly briefed on them.

Safety and health audits are conducted periodically at estates and mills to ascertain the extent of compliance with the company's Occupational Safety & Health (OSH) Management System. From the audit, each work site is graded in accordance with its effort of compliance. Recommendations are made to improve the safety and health compliances at the workplace.

Welfare

Employees are encouraged to join aerobic sessions that are organised weekly at the Head Office, while sports and recreational facilities are provided at the estates and mills. Health Talk, games, and sports' competitions were organised for employees. These activities foster closer relationship, teamwork, and healthy competition among employees.

Employees at our estates and mills are provided with free housing, treated water, electricity and basic amenities. Transportation is provided for estates and mills employees' children studying at nearby schools. Clinics are setup at estates and mills to provide free basic healthcare, while more serious medical cases are referred to local hospital.

Gawai Celebration

3D Puzzle Competition

Christmas Lunch

Chinese New Year Dinner

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

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

This Corporate Governance Statement sets out how the Company has applied the eight (8) principles as outlined in the Malaysian Code of Corporate Governance 2012 ("Code") and observed the 26 Recommendations supporting the Principles in respect of the financial year ended 31 December 2016. Where a specific Recommendation of the Code has not been observed during the financial year under review, the non-observation, including the reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

1. Establish clear roles and responsibilities of the Board and Management

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

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

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

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

The Chief Executive Officer ("CEO") is responsible for the day-to-day management of the business and operations of the Group with respect to both its regulatory and commercial functions. He is supported by the Management Committee and senior management team. The CEO reports to the Board on the Group performance and operational matters at each quarterly Board meeting. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance.

Through the Risk Management Committee ("RMC"), the Board oversees the management framework of the Group. The RMC advises the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

In discharging the Board responsibilities on succession planning, the Nomination Committee is responsible for reviewing candidate for key management position. The Board has adopted a succession plan and will review the said plan from time to time.

The Company has put in place electronic forum to enable communication with shareholders via its website and carry out its investor relations activities.

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details of the Company's internal control system and its effectiveness are available in the Statement on Risk Management and Internal Control as outlined on pages 38 to 39 of this annual report.

To assist in the discharge of its responsibilities and facilitating its ongoing oversight of the Group, the Board has established Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

(i) Board Charter

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management. There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Generally, key matters reserved for the Board include, inter-alia, the approval of annual budgets and strategic plan, quarterly and annual financial statements for announcement, major investment and divestiture, monitoring of the Group's financial and operating performance, including internal control systems, risk management and overseeing of policies. Such delineation of roles is clearly set out in the Board Charter ("the Charter"), which serves as a reference point for Board activities. The Charter provides guidance for Directors and Management regarding the roles and responsibilities of the Board, Chairman, its Committees and Management, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities. The Charter is made available on the Company's website www.rsb.com.my to be in line with Recommendation 1.7 of the Code and will be periodically reviewed and updated to ensure it remains consistent with the Board's objective and responsibilities.

The Board is committed to conducting its business in accordance with the upmost standards of business ethics and complying with the law, rules and regulations. The Directors are mindful that a strong business ethics and effective and efficient monitoring system will promote an ethical corporate climate in fostering an excellent culture of corporate governance. The Board is guided by the Directors' Code of Conduct in discharging its oversight role effectively. The Code of Conduct requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders. This Code of Conduct is also made available on the Company's website.

The Board also encourages its employees and associates to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, suspected violations of the Group's Code of Conduct and to disclose any improper conduct or other malpractices within the Group in an appropriate way.

The Whistleblowing Policy adopted by the Company provides and facilitates a mechanism for any employee and associate to report concerns about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse. Whistleblower may also approach the Senior Independent Director for any issue of their concerned.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

(ii) Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. The Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders, including suppliers, customers and other organizations. Company's strategies on promoting sustainability has been formulated and documented.

The Group's activities to promote sustainability during the financial year under review are also disclosed on pages 19 to 23 of this annual report.

(iii) Access to Information and Advice

Procedures to allow Directors to access to information and advice is in place. Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis and effective discharge of the Board's responsibilities.

All Directors are provided with the performance and progress reports on a timely basis prior to the scheduled Board and Board Committee meetings, to facilitate decision making by the Board and to deal with matters arising from such meetings. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in accordance with established procedures as set out in the Board Charter in furtherance of their duties.

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities.

(iv) Company Secretaries

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2. Strengthen Composition of the Board

During the financial year ended 31 December 2016, the Board has seven (7) members, comprising two (2) Independent Directors, three (3) Non-Independent Non-Executive Directors, one (1) Executive Director and one (1) Director/CEO.

Together, the Directors have a wide range of experience in relevant fields required to successfully direct and supervise the RSB Group's business activities. The current mix of skills and experiences are vital for the effectiveness of the Board and the success of the Group. The profiles of each Director are presented on pages 14 to 18 of this annual report.

The following Board Committees have been established to assist the Board in discharging its duties:

i) Audit Committee

The Audit Committee, formed on 2 March 2006, reviews issues of accounting policy and presentation for external financial reporting, assess the suitability and independence of external auditors, monitors the work of the in-house internal auditors, ensures that an objective and professional relationship is maintained with the external auditors, and that conflicts of interests are avoided.

Further details on the composition and summary of works of the Audit Committee can be found in the Report of the Audit Committee as set out on pages 40 to 42 of this annual report.

ii) Nomination Committee

The Board has on 7 April 2006 set up a Nomination Committee. The members of the Nomination Committee, all of whom are non-executive Directors and a majority of whom are independent, are as follows:

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Nomination Committee has developed criteria for use in the recruitment and annual assessment of Directors. In reviewing and recommending to the Board any new Director appointments, the Nomination Committee considers:

(a) the candidate's independence, in the case of the appointment of an Independent Director;
(b) the composition requirements for the Board and Committees (if the candidate is proposed to be appointed to any of the Board Committees);
(c) the candidate's age, credentials, skills, knowledge, expertise, experience, professionalism, integrity, capabilities and such other relevant factors as may be determined by the Nomination Committee which would contribute to the Board's collective skills; and
(d) any competing time commitments, if the candidate has multiple board representations.

The new Directors will undergo an induction programme, which includes vision and mission of the Company, corporate strategy, visits to the RSB Group's business, and meetings with Senior Management, as appropriate, to facilitate the new Directors' understanding of the RSB Group. The Company Secretaries will ensure that all appointments of new Director are properly carried out and all legal and regulatory obligations are met.

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

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

During the financial year ended 31 December 2016, the Nomination Committee upon its annual review carried out, is satisfied that the size and composition of the Board is optimum and conducive to effective discussion and decision making. There is appropriate mix of skills, experience and core competencies in the composition of the Board and that the Board has an appropriate number of Independent Directors. The Nomination Committee is also satisfied that all the members of the Board are suitably qualified to hold their positions as Directors of the Company in view of their respective academic and professional qualifications, good character, experience, integrity, core competencies and qualities as well as their time devoted and committed to discharge their roles.

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

During the financial year ended 31 December 2016, the Nomination Committee has met once.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

iii) Remuneration Committee

The Remuneration Committee was established on 7 April 2006 and is principally responsible for setting the remuneration structure and policy for Executive Directors and recommending to the Board the remuneration of Directors so as to ensure that the Company is able to attract and retain its Directors needed to run the Group successfully. The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Independent Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Independent Director concerned.

The members of the Remuneration Committee, the majority of whom are non-executive, are as follows:

Chairman	:	Tiong Kiong King (Non-Independent Non-Executive Vice Chairman)
Members	:	Tiong Chiong Ie (Non-Independent Non-Executive Director)
		Bong Wei Leong (Independent Director)

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

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

The Remuneration Committee has met once during the financial year ended 31 December 2016.

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

The Board is of the opinion that matters pertaining to Directors' remuneration are of a personal nature. However, in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirement"), the remuneration of RSB's Directors for the financial year ended 31 December 2016, in aggregate and analysed into bands of RM50,000, were as follows:

Company	Executive Directors (RM)	Non-Executive Directors (RM)
Fee	55,000	301,000
Salary	120,000	-
Bonus	30,000	-
Other Emoluments	2,000	9,000

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Group	Executive Directors (RM)	Non-Executive Directors (RM)
Fee	86,300	399,200
Salary	678,742	-
Bonus	136,000	-
Defined contribution retirement plan	44,160	9,000
Other Emoluments	2,000	249,000
Benefit in kind	19,538	23,950

	Executive Directors (No.)	Non-Executive Directors (No.)
RM550,001 to RM600,000	1	-
RM400,001 to RM450,000	-	1
RM350,001 to RM400,000	1	-
RM100,001 to RM150,000	-	1
RM50,000 and below	-	3

iv) Risk Management Committee

The Risk Management Committee assists the Board in fulfilling its corporate governance responsibilities by monitoring, managing and mitigating the risks associated with the RSB Group's business with a view to the long term viability of the RSB Group.

The composition of the Risk Management Committee is as follows:

Chairman : Dato' Jin Kee Mou
Members : Ling Tong Ung
Chiong Chung Hiang
Tiong Hock Yiok
Sia Chik Foo

The main features of the risk management framework are as follows:

(a) To identify and manage the principal risks relating to the objectives. Risks are defined as any event that can impede RSB's ability to achieve its objectives;
(b) To decide on how to deal with the risks identified, whether to accept, reduce, avoid or transfer the risk;
(c) To enforce and monitor closely all the control measures to ensure compliance by the respective estate management;
(d) To conduct periodic review of the progress and communicate material risks to the Board via the Audit and Risk Management Committees;
(e) To maximize yield per hectare;
(f) To improve production cost efficiencies;
(g) To ensure that human resource are trained, disciplined and dedicated;
(h) To ensure compliance of provisions under Occupational, Health & Safety Act/Pesticide Acts as well as Department of Environment requirements; and
(i) To manage fraud risk.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

3. Reinforce Independence of the Board

The Board recognises the importance of ensuring a balance of power and authority between the Chairman and the CEO with a clear division of responsibility between the running of the Board and the Company's business respectively. The positions of Chairman (i.e. Non-Executive Chairman) and CEO are separated and clearly defined. This ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.

For the financial year ended 31 December 2016, the positions of Chairman and CEO of the Company are held by Non-Independent Non-Executive Chairman and CEO respectively. Their roles and responsibilities are set out in the Board Charter. Currently, the Chairman is a Non-Independent Non-Executive Director while majority of the Board members are not independent directors. However, the Board believes that the interests of shareholders are best served by the Chairman who is sanctioned by shareholders and who will act in the best interests of shareholders as a whole.

The Chairman leads the Board and is responsible for ensuring the adequacy and effectiveness of the Board's governance process and acts as a facilitator at Board meetings to ensure that contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates discussion. As to the CEO, supported by Executive Director, he implements the Group's strategies, policies and decision adopted by the Board, oversees the operations and business development of the Group, provides effective leadership and ensure high management competency.

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

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

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

4. Foster Commitment of Directors

i) Time commitment and meetings

The Directors shall devote sufficient time and efforts to carry out their responsibilities. The Board shall obtain this commitment from Directors at the time of their appointment. Each Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board and Board Committees.

The Board acknowledges that its Directors may be invited to become directors of other companies and that exposure to other organisation can broaden the experience and knowledge of its Directors which may bring benefits to the Group. Directors are therefore at liberty to accept other board appointments so long as such appointments are not in conflict with the business of the Group and do not adversely affect the Directors' performance and contributions as a member of the Board.

Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company.

Any Director shall notify the Chairman before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

Thus far, the Board is satisfied with the level of time commitment given by all the Directors in fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by their attendance at the meetings of the Board and the Board Committees. All the Directors hold less than five (5) directorships in the listed issuers.

The Board ordinarily meets at least four (4) times a year, scheduled well in advance to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committees papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committees members at least seven (7) days before the meeting to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

During the financial year under review, the Board convened five (5) scheduled Board meetings and the details of attendance of each Director are set out in the "Other Information on Directors" section of this Annual Report on page 18.

All proceedings, matters arising, deliberations in terms of the issue discussed, and recommendations made by the Board Committees at the committees' meetings are recorded in the minutes by the Company Secretaries, confirmed by the Board Committees and signed by the Chairmen of the said committees. All committees' meetings were attended by the Company Secretaries. Upon invitation, Management representatives were present at the Board Committees' meetings to provide additional insight into matters to be discussed during the said committee meetings, if so required.

ii) Directors' Training

All the Directors have attended the Mandatory Accreditation Programme as required by Bursa Securities after the Company is listed on the Main Market of Bursa Securities on 28 June 2006.

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

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

The Board has assessed the training needs of the Directors. Generally, all Directors must attend at least one (1) training/seminar each year. During the financial year ended 31 December 2016, the Directors have attended appropriate training programmes conducted by external experts and the descriptions of the training/seminar are set out below:

Title of training/seminar	Number of day(s) spent
Risk and Risk Management	1
Environmental, Social and Governance (ESG) Reporting	1
The First China - Asean Entrepreneurs Forum	2
Addressing the Manpower Needs of the Oil Palm Industry in Sarawak 2016	1
KPI Training	1
NATSEM 2016 – Factors impacting the competitiveness of the Palm Oil Industry	2
15th International PEAT Congress 2016	5
2017 Budget and Tax Conference	1
GST accounting for Property Developers & Construction Industry	1
GST for Property Developers - Latest Developments & Practical Issues	1
National Tax Conference 2016	2
Budget 2017: Income Tax, RPGT, GST Updates and Tax Planning	2
Mastering GST Audit - A Comprehensive Guide to Preparing for GST Audits & GST Tax Risks Management	1
Adaptive Strategies To Gain Competitive Advantage During Tough Times	1
Leadership Excellence from The Chair	1
Risk Management & Internal Control: Workshop for Audit Committee Members	1

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Company Secretaries circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board on these updates, where applicable. The Financial Controller and External Auditors also briefed the Board members on any changes to the Financial Reporting Standards that affect the Group's financial statements during the financial year under review.

5. Uphold integrity in financial reporting by the Company

It is the Board's commitment to present a clear and balanced assessment of the Group's financial performance and future prospects at the end of each reporting period and financial year, primarily through announcement of the Group's quarterly results to Bursa Securities, the annual financial statements of the Group and of the Company as well as the review of the Group's operations and performance in the Annual Report, where relevant.

The Board is responsible for ensuring that the financial statements are prepared in accordance with the approved accounting standards to give a true and fair view of the state of affairs of the Group and of the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

To assist in its discharge of its duties on financial reporting, the Board has established an Audit Committee, comprising exclusively Non-Executive Directors, the majority of whom are independent, with Mr. Bong Wei Leong as the Audit Committee Chairman.

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

Audit and non-audit fees paid or payable by the Group and the Company to the External Auditors or a firm or corporation affiliated to the auditors' firm during the financial year ended 31 December 2016 are set out below:

	Group (RM)	Company (RM)
Statutory audit fees		
- Crowe Horwath	298,000	50,000
- Philip Tong & Co	36,000	-
Total (a)	334,000	50,000
Non-audit fees		
- Crowe Horwath	42,758	39,000
- Crowe Horwath (Sarawak) Tax Sdn Bhd	55,400	6,700
- Tomax Tax Services Sdn Bhd	8,750	-
Total (b)	106,908	45,700
% of non-audit fees (b/a)	32.0%	91.4%

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The nature of the non-audit fees incurred by the company are services rendered for reviewing quarterly report, risk management and internal control statement and disclosure of realised and unrealised profit/loss statement.

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

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

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

6. Recognise and manage risks of the Group

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

The main features of risk management framework are disclosed on page 30 of this annual report.

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

Further details on the state of the risk management and system of internal control of the RSB Group are presented on pages 38 to 39 of this annual report.

RSB has its in-house internal audit function which is independent of the activities its audit. The Internal Audit Manager report directly to the Audit Committee. Further details of the internal audit function are outlined on page 42 of this annual report.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

7. Ensure timely and high quality disclosure

i) Corporate Disclosure Policy and Procedures

The Board is committed to ensuring that communications to the investing public regarding the business, operations and financial performance of the Company are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulator is in accordance with applicable legal and regulatory requirements.

The Company announces its quarterly and full year results within the mandatory period. The financial statements and, where necessary other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released via Bursa LINK on a timely basis to ensure effective dissemination of information relating to the Group.

The Board places importance in ensuring disclosures made to shareholders and investors are comprehensive, accurate and on a timely and even basis as they are critical towards building and maintaining corporate credibility and investor confidence. As such, the Company has adopted a Corporate Disclosure Policy and Procedures to set out the policies and procedures for disclosure of material information of the Group to ensure compliance with the Listing Requirements. The Corporate Disclosure Policy and Procedures are applicable to all employees and Directors of the Group as well as those authorised to speak on their behalf.

ii) Leverage on Information Technology

In addition, the Company also put in place electronic facility to enable communication with shareholders via its website www.rsb.com.my. Shareholders can access to and obtain all information on RSB Group by accessing this website. All announcements made by the Company and information that are relevant to the shareholders and investors are available in this website.

8. Strengthen relationship between the Company and its shareholders

i) Shareholder participation at general meeting

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

ii) Poll voting

Pursuant to the amendment to the Main market Listing Requirement of Bursa Securities announced on 24 March 2016, the Board will put all the resolutions set out in the notice of Annual General meeting by poll voting at the twelfth Company's Annual general Meeting and the result will be validated by independence scrutineers.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

iii) Communication and proactive engagement with shareholders and prospective investors

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

Mr. Bong Wei Leong is the Senior Independent Director duly identified by the Board to whom concerns or queries concerning the RSB Group may be conveyed to.

The Company's responses to queries raised by the Minority Shareholder Watchdog Group were also shared and read out during the last annual general meeting.

COMPLIANCE STATEMENT

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

STATEMENT ON NOMINATION COMMITTEE ACTIVITIES

During the financial year ended 31 December 2016, the Nomination Committee has met once and the activities carried out by the Nomination Committee during the financial year ended 31 December 2016 are as follows:

i) Reviewed the mix of skills, character, experience, integrity, core competencies and other qualities required for the Board as well as their time commitment and Board balance.
ii) Evaluated the performance and effectiveness of the board including contributions of each individual director as well as the financial controller and the independence of the Independent Directors.
iii) Assessed and recommended to the Board, Directors who are due for retirement by rotation pursuant to the Company's Articles of Association, for continuation in service as Directors.
iv) Assessed and recommended the re-appointment of the Director pursuant to Section 129 of the Companies Act, 1965.
v) Discussed to formalise a policy on the board and workforce diversity (including gender, age and ethnicity) and discussed the assessment of independent directors who have served for more than nine (9) years for continuance in office as independent directors of the Company.
vi) Assessed the Financial Controller or person primarily responsible for the management of the financial affairs of RSB Group.
vii) Evaluated the performance and effectiveness of the Board Committees.
viii) Assessed and recommended to the Board the training needs and continuing education programme for Directors.

This statement is made in accordance with the resolution of the Board of Directors dated 24 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of Rimbunan Sawit Berhad ("the Company") is committed to nurture and preserve throughout the Group a sound system of risk management and internal controls and good corporate governance practices to safeguard shareholders' investments and the Group's assets. This statement is in line with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the Group's compliance with the Principles and Best Practices relating to internal control as stipulated in the Malaysian Code on Corporate Governance.

ROLES AND RESPONSIBILITIES

The Board

The Board affirms its overall responsibility for the Group's system of risk management and internal control and for monitoring its adequacy and effectiveness except for the associated company which is not under the control of the Board. In view of the inherent limitations in any system of risk management and internal control (the "System"), it should be noted that the Group's System can provide only reasonable, and not absolute assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The System consists of financial controls, operational cum compliance controls and risk management to safeguard shareholders' investments and the Group's assets.

The Board's objective is to ensure that the Group has an appropriate system in place for the identification and management of risks, including the deployment of internal controls to address the risks so identified. The system has been in place for the year under review and up to the date of approval of this statement.

Risk Management Function

The Risk Management Committee carried out its duties in accordance with its term of reference during the financial year. The Risk Management Committee principally provides structure and guidance to identify, evaluate, control, manage and monitor principal risks in order to ensure the achievement of the Group's business objectives and strategies, including achieved within the acceptable risk appetite of the Group (by using Risk Register and Key Performance Indicators). Its reviews cover responses to significant risks identified including operational risks, non-compliance with applicable laws, rules, regulations and guidelines, changes to internal controls and management information systems, and output from monitoring processes.

The principal responsibilities of the Risk Management Committee includes:-

- Establish the Group Risk Management Framework;
- Develop processes to identify, assess, treat, monitor and report on all material business risks;
- Providing guidance and strategic direction to the Business Units on the adequacy and effectiveness of internal control system for the identification of and compliance with relevant laws, licensing and regulatory requirements.

Internal Audit Function

The Board has established the Audit Committee to evaluate the internal audit function and accessing its effectiveness in the discharge of its responsibilities.

The Internal Audit Department is responsible for undertaking regular and systematic review of the Group's operations and system of internal controls based on annual audit plans which developed based on prioritization of the audit universe by using a risk-based methodology and in review of response to changes in the organization's business, risks, operations, programs, systems, and controls, that approved by the Audit Committee. The Internal Audit findings are discussed at management level and management action plans are prepared that adequately address the Internal Audit Function's recommendations and findings arising from internal audits. The progress of the agreed actions plans have been effectively implemented through its follow-up reviews. The Audit Committee reviews all internal audit findings, management responses and the adequacy and effectiveness of the internal controls. The Audit Committee reports to the Board on a quarterly basis of its deliberations and recommendations.

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

Internal Control and Risk Management

During the year under review and up to the date of this statement, the Group has been proactive in its management of risks and control issues as demonstrated by the existence of policies, procedures and strategies as illustrated below:

- The Group has established an organizational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;
- Relevant executive directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;
- Annual business plans and budgets of the Group are reviewed and approved by the Board. The Group senior management meets on a monthly basis with operating management to review their business and financial performance against the business plans and approved budgets. Significant business risks relevant to each operating are reviewed in these meetings;
- Each operating management is responsible for its own identification and evaluation of key business risks applicable to their parts of business and for managing how these risks are reduced, transferred to third parties or insured;
- The Internal Audit Function conducts a systematic review of financial and business processes in order to provide independent assurance to management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will take necessary measures to ensure that improvements are implemented;
- The Group maintains an appropriate insurance programme in order to provide sufficient insurance coverage on major assets that could result in material loss.
- The Risk Management embedded in the operations of the company is capable of responding quickly to evolving business risks by using Risk Register and KPIs to corroborate risk rating, whether they arise from factors within the company or from changes in the business environment which is an integral part of the company's day to day business processes.

The group will continue to monitor all major risks affecting the Group and take the necessary measures to mitigate them and enhance the adequacy and effectiveness of the risk management and internal control system of the Group.

CONCLUSION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

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

This statement is made in accordance with the resolution of the Board dated 24 March 2017.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

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

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

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

KEY FUNCTIONS AND RESPONSIBILITIES

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

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

MEETINGS AND ATTENDANCE

The Committee met five (5) times during the financial year ended 31 December 2016. All Committee meetings were attended by the Company Secretaries. Other Board members and the senior management staff attended the meetings upon invitation of the Committee to provide additional insight into matters to be discussed during the Committee meetings. The representatives of the internal and external auditors were also present during deliberations which required their inputs and advice.

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

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

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

SUMMARY OF THE WORK OF THE COMMITTEE

The following works were carried out by the Committee during the financial year ended 31 December 2016:

Financial Reporting

1. reviewed with the external auditors their audit for the financial year ended 31 December 2015 ("FY2015") to ensure that the audited financial statements were prepared to give a true and fair view in compliance with Financial Reporting Standards and the requirements of the Companies Act 1965; and discussed their audit findings and accounting issues arising from their audit together with their recommendations and management's responses; and considered management's handling of impairment assessment, corrected or uncorrected misstatements and unadjusted audit differences;

REPORT OF THE AUDIT COMMITTEE (CONT'D)

2. reviewed and recommended the audited financial statements of the Company and of the Group for FY2015 for the Board's approval; and

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

External Audit

1. reviewed the audit plan for FY2016 with the external auditors with focus on the audit engagement team, areas of audit emphasis and impairment assessment, multilocation scoping and audit timeline;

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

3. met with the external auditors twice in FY2016 without the presence of Executive Directors and senior management to enquire about management's co-operation with the external auditors, sought clarification on certain issues arising from the final audit and ascertained no significant weaknesses were noted in the internal control system and no frauds were noted in the course of their audit.

Internal Audit

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

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

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

Related Party Transactions

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

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

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

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

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

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

REPORT OF THE AUDIT COMMITTEE (CONT'D)

Other

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

2. reviewed the TOR and proposed consequential changes arising from the amendments of Listing Requirements which came into effect on 3 May 2016, to the Board for approval.

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

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

INTERNAL AUDIT FUNCTION

RSB Group has an in-house internal audit function to assist the Audit Committee in the discharge of its duties and responsibilities and is principally responsible for the independent assessment of the adequacy, effectiveness and efficiency of the internal control systems in place, through a systematic and regular reviews of management, control and governance processes so as to provide reasonable independent assurance that such systems continue to operate satisfactorily and effectively.

The Group internal audit function adopts a risk-based auditing approach in planning and conducting audits by focusing on key risk areas. The internal audit function is independent of the activities it audits, and is responsible for the regular review and/or appraisal of the internal control, management and governance processes within the RSB Group. It operates and performs in accordance to the principles of the Internal Audit Charter.

The internal audit reports were deliberated by the Audit Committee and recommendations were duly acted upon by the Management. Currently, the Head of Internal Audit reports directly to the Audit Committee on the activities carried out by the Internal Audit Department based on the annual audit plan duly approved by the Audit Committee.

During the financial year ended 31 December 2016, the Internal Audit Department had undertaken the following works:

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

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

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

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

The total costs incurred for the internal audit functions in respect of the financial year ended 31 December 2016 were RM413,557.00.

This Report is made in accordance with the resolution of the Board of Directors dated 24 March 2017.

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

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

The Directors are also required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the financial year end and of the results and cash flows of the Group and of the Company for the financial year then ended.

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

In preparing these financial statements, the Directors have:

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

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

The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with the resolution of the Board of Directors dated 24 March 2017.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM	The Company RM
Loss after taxation for the financial year	(75,728,523)	(4,951,096)
Attributable to:-		
Owners of the Company	(66,665,246)	(4,951,096)
Non-controlling interests	(9,063,277)	-
	(75,728,523)	(4,951,096)

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

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

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

DIRECTORS' REPORT (CONT'D)

OPTIONS GRANTED OVER UNISSUED SHARES

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

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

The contingent liabilities are disclosed in Note 36 to the financial statements. At the date of this report, there does not exist:-

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

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

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT (CONT'D)

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

The directors who served since the date of the last report are as follows:-

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

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 Each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Direct Interests in the Company				
Diong Hiew King @ Tiong Hiew King	2,400,000	-	-	2,400,000
Tiong Kiong King	23,803,800	-	-	23,803,800
Tiong Chiong Ong	7,031,608	-	-	7,031,608
Tiong Chiong Ie	1,600,000	-	-	1,600,000
Dato' Jin Kee Mou	16,000	-	-	16,000
Tiong Ing Ming	200,000	-	-	200,000
Indirect Interests in the Company				
Diong Hiew King @ Tiong Hiew King	775,199,279	25,000,000	(25,081,000)	775,118,279
Tiong Kiong King	6,218,400	-	-	6,218,400
Tiong Chiong Ong	329,214	-	-	329,214
Tiong Chiong Ie	3,872,000	-	-	3,872,000

	Number of Irredeemable Convertible Preference Shares of RM0.50 Each			
	At 1.1.2016	Bought	Sold	At 31.12.2016
Indirect Interests in the Company				
Diong Hiew King @ Tiong Hiew King	164,876,929	-	-	164,876,929

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (cont'd)

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the benefits shown under the Directors' Remuneration section of our report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 33 to the financial statements.

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

DIRECTORS' REMUNERATION

The details of directors' remuneration are disclosed in Note 32 to the financial statements.

SUBSIDIARIES

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

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

None of the subsidiaries had any interest in shares in the Company during the financial year. Their interests in shares in other related corporations are disclosed in Note 5 to the financial statements.

AUDITORS' REMUNERATION

During the financial year, the total amount paid to or receivable by the auditors as remuneration for their services was RM376,758.

DIRECTORS' REPORT (CONT'D)

SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 38 to the financial statements.

AUDITORS

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

Signed in accordance with a resolution of the directors dated 5 April 2017.

Diong Hiew King @ Tiong Hiew King

Tiong Kiong King

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

We, Diong Hiew King @ Tiong Hiew King and Tiong Kiong King, being two of the directors of Rimbunan Sawit Berhad, state that, in the opinion of the directors, the financial statements set out on pages 57 to 138 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 ended on that date.

The supplementary information set out in Note 39, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of the directors dated 5 April 2017.

Diong Hiew King @ Tiong Hiew King **Tiong Kiong King**

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Ling Tong Ung, being the officer primarily responsible for the financial management of Rimbunan Sawit Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 138 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Ling Tong Ung, at Sibu
on this 5 April 2017.

Ling Tong Ung

Before me

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD (691393-U)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Rimbunan Sawit Berhad, which comprise the statements of financial position as at 31 December 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 138.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD (691393-U)

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

Key Audit Matters

Goodwill Impairment
Refer to Note 11 in the financial statements

Key Audit Matter	How our audit addressed the key audit matter
The Group has goodwill with a cost stated at RM64.8 million as at 31 December 2016, which relates to the Group's oil palm plantation cash-generating units ("CGUs"). An impairment allowance of RM4.0 million was recognised for the financial year, with a resulting net carrying amount of goodwill of RM60.8 million. CGUs containing goodwill shall be tested for impairment on an annual basis. It is considered to be a key audit matter due to the significant judgement required in determining the assumptions used to estimate the recoverable amount. As a consequence, there is a greater risk of misstatement in this balance, either by fraud or error, including through the potential override of controls by management. The recoverable amount of each CGU, being the higher of the value-in-use and fair value less costs to sell, has been derived from discounted forecast cash flows model. This model uses several key assumptions, including assumptions about future commodity prices and the appropriate discount rate as well as internal assumptions related to estimated gross profit margin, oil palm yield rates and future capital and operating expenditure.	Our procedures included, amongst others:- • evaluating the appropriateness of management's identification of the Group's CGUs. • evaluating and challenging the appropriateness and reasonableness of the assumptions applied to key inputs (with consideration of the risk of management bias) such as prices of crude palm oil, oil palm yield rates, operating costs and discount rate applied, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry. • performing sensitivity analysis, which included assessing the effect of reasonably possible reductions in key drivers (e.g. commodity prices, discount rate) of cash flows forecast to evaluate the impact on the currently estimated headroom for each CGU. • evaluating the adequacy of the disclosures in the financial statements, including disclosures of key assumptions and judgements.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD (691393-U)

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

Key Audit Matters (Cont'd)

Impairment of Non-financial Assets
Refer to Note 7, 8 and 9 in the financial statements

Key Audit Matter	How our audit addressed the key audit matter
The Group has oil palm plantation assets, which includes property, plant and equipment, intangible and biological assets, with an aggregate carrying amount of RM1.5 billion as at 31 December 2016. An impairment allowance totalling RM24.7 million was recognised during the financial year to reduce the carrying amounts of these assets to their estimated recoverable amounts. The Group shall assess at the end of each reporting period whether there is any indication that the plantation assets may be impaired. If any such indication exists, the Group shall estimate the recoverable amounts of these assets. Certain oil palm plantations of the Group reported net losses for the financial year, mainly due to the declining oil palm yield owing to prolonged dry weather conditions and below average rainfall brought about by the El-Nino weather phenomena during the second half of 2015 and into the first half of 2016. The Minimum Wages Order which came into effect on 1 July 2016 further impacted the Group's profitability. In light of these challenges, there is a risk that the carrying amounts of the Group's plantation assets may not be recoverable. Impairment of these assets is considered to be a key audit matter because the estimation of their recoverable amounts involves significant management judgement, including in respect of:- ● estimated future commodity prices, oil palm yield rates, operating costs and discount rate applied to future cash flows; and ● estimated fair value, based on a valuation by an independent external expert.	Our procedures included, amongst others:- ● evaluating and challenging the appropriateness and reasonableness of the assumptions applied to key inputs (with consideration of the risk of management bias) such as prices of crude palm oil, oil palm yield rates, operating costs and discount rate applied, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry. ● assessing the competence, capabilities and objectivity of management's valuation expert, and evaluating the appropriateness of the method and the reasonableness of the assumptions used by the expert. ● testing the sensitivity of the impairment calculations to changes in key assumptions used by management (e.g. commodity prices, discount rate) to evaluate the impact on the currently estimated headroom for each CGU. ● evaluating the adequacy of the disclosures in the financial statements, including disclosures of key assumptions and judgements.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD (691393-U)

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD (691393-U)

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF RIMBUNAN SAWIT BERHAD (691393-U)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

Other Reporting Responsibilities

The supplementary information set out in Note 39 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.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Ling Hang Ngee
Approval No: 3188/07/17 (J)
Chartered Accountant

5 April 2017
Sibu, Sarawak

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	631,889,160	626,888,960
Investment in an associate	6	4,397,296	4,397,296	4,397,296	4,397,296
Property, plant and equipment	7	663,429,814	685,634,463	7,153,151	9,256,883
Intangible assets	8	21,144,089	23,683,528	1,705,513	2,279,285
Biological assets	9	778,925,993	786,003,637	-	-
Other investment	10	5,000,000	5,000,000	5,000,000	5,000,000
Goodwill	11	60,759,527	64,746,109	-	-
Deposits with licensed banks	12	102,381	102,381	-	-
Deferred tax assets	13	-	5,157,794	-	-
		1,533,759,100	1,574,725,208	650,145,120	647,822,424
CURRENT ASSETS					
Inventories	14	21,338,079	31,119,571	-	-
Trade receivables	15	20,304,990	9,012,177	-	-
Other receivables, deposits and prepayments	16	17,433,162	28,251,974	768,475	12,993,277
Amount owing by subsidiaries	17	-	-	502,713,929	439,503,534
Current tax assets		5,688,481	5,323,693	-	82,786
Cash and bank balances		1,612,358	4,381,875	39,682	30,845
		66,377,070	78,089,290	503,522,086	452,610,442
TOTAL ASSETS		1,600,136,170	1,652,814,498	1,153,667,206	1,100,432,866

The annexed notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2016

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	18	791,682,240	791,682,240	791,682,240	791,682,240
Reserves	19	(43,981,613)	22,683,633	48,134,066	53,085,162
Equity attributable to owners of the Company		747,700,627	814,365,873	839,816,306	844,767,402
Non-controlling interests	5	42,147,054	54,591,220	-	-
TOTAL EQUITY		789,847,681	868,957,093	839,816,306	844,767,402
NON-CURRENT LIABILITIES					
Borrowings	20	354,093,825	333,084,023	3,558,716	170,560
Deferred tax liabilities	13	126,914,642	140,037,644	719,275	777,367
		481,008,467	473,121,667	4,277,991	947,927
CURRENT LIABILITIES					
Trade payables	22	60,736,943	49,523,455	-	-
Other payables, deposits and accruals	23	33,807,961	35,928,956	9,612,419	11,208,756
Amount owing to subsidiaries	17	-	-	264,903,313	183,139,356
Borrowings:-	20				
- bank overdrafts		13,078,560	10,100,877	1,334,655	2,256,755
- other borrowings		218,032,991	214,144,681	32,230,619	58,112,670
Current tax liabilities		3,623,567	1,037,769	1,491,903	-
		329,280,022	310,735,738	309,572,909	254,717,537
TOTAL LIABILITIES		810,288,489	783,857,405	313,850,900	255,665,464
TOTAL EQUITY AND LIABILITIES		1,600,136,170	1,652,814,498	1,153,667,206	1,100,432,866

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHNSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
REVENUE	24	250,572,709	184,208,943	5,071,334	16,696,734
COST OF SALES		(245,429,329)	(189,064,947)	-	-
GROSS PROFIT/(LOSS)		5,143,380	(4,856,004)	5,071,334	16,696,734
OTHER INCOME		4,400,703	2,854,695	14,917,297	3,292,229
DISTRIBUTION COSTS		(8,952,962)	(6,135,289)	-	-
ADMINISTRATIVE AND OTHER EXPENSES		(65,095,308)	(51,411,008)	(16,703,757)	(30,644,379)
SHARE OF RESULTS IN AN ASSOCIATE, NET OF TAX		-	(574,168)	-	-
FINANCE COSTS	25	(12,585,020)	(14,110,175)	(6,611,258)	(3,188,949)
LOSS BEFORE TAXATION	26	(77,089,207)	(74,231,949)	(3,326,384)	(13,844,365)
INCOME TAX EXPENSE	27	1,360,684	7,057,378	(1,624,712)	(250,597)
LOSS AFTER TAXATION		(75,728,523)	(67,174,571)	(4,951,096)	(14,094,962)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHESIVE INCOME FOR THE FINANCIAL YEAR		(75,728,523)	(67,174,571)	(4,951,096)	(14,094,962)
LOSS AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(66,665,246)	(59,944,850)	(4,951,096)	(14,094,962)
Non-controlling interests		(9,063,277)	(7,229,721)	-	-
		(75,728,523)	(67,174,571)	(4,951,096)	(14,094,962)
TOTAL COMPREHESIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(66,665,246)	(59,944,850)	(4,951,096)	(14,094,962)
Non-controlling interests		(9,063,277)	(7,229,721)	-	-
		(75,728,523)	(67,174,571)	(4,951,096)	(14,094,962)
LOSS PER SHARE (SEN)	28				
Basic		(3.27)	(2.94)		
Diluted		(3.27)	(2.94)		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Non-distributable							
		Share Capital							
The Group	Note	Ordinary Shares RM	Preference Shares RM	Share Premium RM	Merger Reserve RM	Distributable Retained Profits RM	Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
Balance at 1.1.2015		654,252,472	96,986,429	15,446,950	(53,065,553)	160,690,425	874,310,723	68,584,097	942,894,820
Loss after taxation/ Total comprehensive income for the financial year		-	-	-	-	(59,944,850)	(59,944,850)	(7,229,721)	(67,174,571)
Contributions by and distributions to owners of the Company:-									
- conversion of ICPSs to ordinary shares	18	54,991,303	(14,547,964)	-	-	(40,443,339)	-	-	-
- dividends:-									
- by subsidiaries to non-controlling interests		-	-	-	-	-	-	(6,763,156)	(6,763,156)
Balance at 31.12.2015		709,243,775	82,438,465	15,446,950	(53,065,553)	60,302,236	814,365,873	54,591,220	868,957,093

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Non-distributable				Distributable			
	Share Capital							
The Group	Ordinary Shares RM	Preference Shares RM	Share Premium RM	Merger Reserve RM	Retained Profits/ (Accumulated Losses) RM	Attributable to Owners of the Company RM	Non-controlling Interests RM	Total Equity RM
Balance at 31.12.2015/ 1.1.2016	709,243,775	82,438,465	15,446,950	(53,065,553)	60,302,236	814,365,873	54,591,220	868,957,093
Loss after taxation/Total comprehensive income for the financial year	-	-	-	-	(66,665,246)	(66,665,246)	(9,063,277)	(75,728,523)
Contributions by and distributions to owners of the Company:-								
- dividends:-								
- by subsidiaries to non-controlling interests	-	-	-	-	-	-	(3,380,889)	(3,380,889)
Balance at 31.12.2016	709,243,775	82,438,465	15,446,950	(53,065,553)	(6,363,010)	747,700,627	42,147,054	789,847,681

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Non-distributable				
		Share Capital			Distributable	
The Company	**Note**	**Ordinary Shares RM**	**Preference Shares RM**	**Share Premium RM**	**Retained Profits RM**	**Total Equity RM**
Balance at 1.1.2015		654,252,472	96,986,429	15,446,950	92,176,513	858,862,364
Loss after taxation/Total comprehensive income for the financial year		-	-	-	(14,094,962)	(14,094,962)
Contributions by owners of the Company:-						
- conversion of ICPSs to ordinary shares	18	54,991,303	(14,547,964)	-	(40,443,339)	-
Balance at 31.12.2015/ 1.1.2016		709,243,775	82,438,465	15,446,950	37,638,212	844,767,402
Loss after taxation/Total comprehensive income for the financial year		-	-	-	(4,951,096)	(4,951,096)
Balance at 31.12.2016		709,243,775	82,438,465	15,446,950	32,687,116	839,816,306

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		(77,089,207)	(74,231,949)	(3,326,384)	(13,844,365)
Adjustments for:-					
Allowance for stock obsolescence		-	239,503	-	-
Allowance for stock obsolescence no longer required		(5,945)	-	-	-
Amortisation of biological assets		39,949,443	35,361,369	-	-
Amortisation of intangible assets		794,135	675,952	573,772	529,659
Bad debts written off		611	1,500	-	-
Biological assets written off		47,905	3,801,213	-	-
Depreciation of property, plant and equipment		36,235,629	34,192,410	1,424,967	1,207,702
Dividend income		-	-	(5,071,334)	(10,144,734)
Impairment losses on:-					
- biological assets		17,921,385	-	-	
- goodwill		4,000,000	-	-	-
- intangible assets		1,547,663	-	-	-
- investment in an associate		-	19,117,486	-	20,740,000
- property, plant and equipment		5,239,501	-	-	-
- receivables		12,329,572	-	12,273,877	-
Interest expense		12,585,020	14,110,175	6,611,258	3,188,949
Interest income		(14,740)	(20,884)	(14,737,831)	(2,938,695)
Inventories written down		400,955	-	-	-
Inventories written off		1,513,103	-	-	-
Gain on disposal of property, plant and equipment		(264,403)	(271,916)	(89,388)	(253,814)
Property, plant and equipment written off		179,439	286,950	-	-
Share of results in an associate		-	574,168	-	-
Operating profit/(loss) before working capital changes		55,370,066	33,835,977	(2,341,063)	(1,515,298)
Decrease/(increase) in inventories		7,873,379	(3,216,850)	-	-
(Increase)/decrease in trade and other receivables		(12,804,184)	6,094,986	(49,075)	437,204
Increase/(decrease) in trade and other payables		9,079,275	19,112,508	(1,596,337)	6,705,314
CASH FROM/(FOR) OPERATION/BALANCE CARRIED FORWARD		59,518,536	55,826,621	(3,986,475)	(5,627,220)

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
CASH FROM/(FOR) OPERATIONS/ BALANCE BROUGHT FORWARD		59,518,536	55,826,621	(3,986,475)	5,627,220
Income tax paid		(4,383,926)	(4,122,783)	(108,527)	(459,801)
Income tax refunded		412	125,114	412	90,910
Interest paid		(7,736,967)	(8,333,449)	(6,377,838)	(3,178,688)
Interest received		14,740	20,884	14,737,831	2,938,695
NET CASH FROM OPERATING ACTIVITIES		47,412,795	43,516,387	4,265,403	5,018,336
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary, net of cash and cash equivalents acquired	29	(200)	-	(200)	-
Costs incurred on biological assets		(25,851,709)	(29,303,895)	-	-
Dividend received		-	-	5,071,334	10,144,734
Proceeds from disposal of property, plant and equipment		4,179,630	4,171,621	859,751	600,009
Purchase of intangible assets		-	(17,214)	-	(17,214)
Purchase of other investment		-	(5,000,000)	-	(5,000,000)
Purchase of property, plant and equipment	30	(24,182,324)	(62,026,841)	(91,598)	(4,559,468)
Subscription of shares in subsidiaries		-	-	(5,000,000)	(186,738,998)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(45,854,603)	(92,176,329)	839,287	(185,570,937)
BALANCE CARRIED FORWARD		1,558,192	(48,659,942)	5,104,690	(180,552,601)

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
BALANCE BROUGHT FORWARD		1,558,192	(48,659,942)	5,104,690	(180,552,601)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES					
Net decrease in amount owing by subsidiaries		-	-	18,553,562	180,995,091
Deposits with licensed banks held as security value		-	(2,381)	-	-
Dividend paid by subsidiaries to non-controlling interests		(3,380,889)	(6,763,156)	-	-
Drawdown of term loans		64,516,014	63,967,721	5,000,000	-
Net of drawdown of bankers'acceptance		7,526,723	9,768,849	-	-
Net of (repayment)/drawdown of revolving credit		(11,800,000)	33,000,000	(26,800,000)	-
Payment of interests on long-term borrowings		(20,616,625)	(19,332,532)	(233,420)	(10,261)
Repayment of hire purchase obligations		(5,148,543)	(1,720,772)	(112,670)	(62,770)
Repayment of term loans		(38,402,072)	(26,380,943)	(581,225)	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(7,305,392)	52,536,786	(4,173,753)	180,922,060
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(5,747,200)	3,876,844	930,937	369,459
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		(5,719,002)	(9,595,846)	(2,225,910)	(2,595,369)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	31	(11,466,202)	(5,719,002)	(1,294,973)	(2,225,910)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Companies Act 1965 in Malaysia. The domicile of the Company is Malaysia. The registered office, which is also the principal place of business, is North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 5 April 2017.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 1965 in Malaysia.

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

FRSs and IC Interpretations (Including the Consequential Amendments)
FRS 14 Regulatory Deferral Accounts
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities – Applying the Consolidation Exception
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 101: Disclosure Initiative
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127: Equity Method in Separate Financial Statements
Annual Improvements to FRSs 2012 – 2014 Cycle

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. BASIS OF PREPARATION (CONT'D)

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

FRSs and/or IC Interpretations (Including The Consequential Amendments)	**Effective Date**
FRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts	1 January 2018*
Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to FRS 107: Disclosure Initiative	1 January 2017
Amendments to FRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 140: Transfers of Investment Property	1 January 2018
Annual Improvements to FRS Standards 2014 – 2016 Cycles:	
• Amendments to FRS 12: Clarification of the Scope of Standard	1 January 2017
Annual Improvements to FRS Standards 2014 – 2016 Cycles:	
• Amendments to FRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to FRS 128: Measuring an Associate or Joint Venture at Fair Value	1 January 2018

* *Entities that meet the specific criteria in FRS 4.20B may choose to defer the application of FRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

3.2 The above accounting standards and interpretations (including the consequential amendments, if any) are not relevant to the Group's operations except as follows:-

(a) FRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in FRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking "expected loss" impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this FRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost will be measured at fair value through other comprehensive income upon the adoption of FRS 9. The Group is currently assessing the financial impact of adopting FRS 9.

(b) The amendments to FRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, there will be no financial impact on the financial statements of the Group upon its initial application. However, additional disclosure notes on the statements of cash flows may be required.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. BASIS OF PREPARATION (CONT'D)

3.3 MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), that are to be applied by all entities other than private entities; with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (herein called "transitioning entities").

As announced by MASB on 28 October 2015, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

Accordingly, as a transitioning entity as defined above, the Group has chosen to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still ongoing.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

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

(b) Income Taxes

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

(c) Impairment of Non-financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(d) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(e) Classification of Leasehold Land

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

(f) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

4.2 BASIS OF CONSOLIDATION

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Business Combinations before 1 January 2011

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

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

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

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

4.3 GOODWILL

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

Business Combinations from 1 January 2011 Onwards

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

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

Business Combinations before 1 January 2011

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 GOODWILL

Interests in Associates

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

4.4 FUNCTIONAL AND PRESENTATION CURRENCY

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

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

4.5 FINANCIAL INSTRUMENTS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets

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

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

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

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

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

(ii) Held-to-maturity Investments

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets

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

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

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

(iv) Available-for-sale Financial Assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

All financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

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

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

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

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

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

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

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

(d) Derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(e) Financial Guarantee Contracts

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

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

4.6 INVESTMENTS IN SUBSIDIARIES

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

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

4.7 INVESTMENTS IN ASSOCIATES

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

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

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2016. The Group's share of the post-acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's interest in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post-acquisition retained profits and reserves. The cost of investment includes transaction costs.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

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

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

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

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

During the financial year, the Group and the Company changed the depreciation rates for the following assets:-

Motor vehicles, plant and machinery	From 20% per annum to 10% per annum

The change in the depreciation rate arose from a review of the useful lives of the assets concerned.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 INTANGIBLE ASSETS

(a) Computer Software

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

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

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

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

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

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

4.10 BIOLOGICAL ASSETS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 IMPAIRMENT

(a) Impairment of Financial Assets

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

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

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

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

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

(b) Impairment of Non-financial Assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 IMPAIRMENT

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

An impairment loss is recognised in profit or loss immediately. 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 units and then to reduce the carrying amounts of the other assets in the cash-generating units on a pro rate basis.

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

4.12 ASSETS UNDER HIRE PURCHASE

Assets acquired under hire purchase are capitalised in the financial statements as property, plant and equipment and the corresponding obligations are treated as hire purchase payables. The assets capitalised are measured at the lower of the fair value of the leased assets and the present value of the minimum lease payments and are depreciated on the same basis as owned assets. Each hire purchase payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of charge on the hire purchase outstanding. Finance charges are recognised in profit or loss over the period of the respective hire purchase agreements.

4.13 INVENTORIES

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

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

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

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

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

4.14 NON-CURRENT ASSETS HELD FOR SALE

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.16 PROVISIONS

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

4.17 EMPLOYEE BENEFITS

(a) Short-term Benefits

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

(b) Defined Contribution Plans

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

4.18 INCOME TAXES

(a) Current Tax

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

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

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

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 RELATED PARTIES

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

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

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

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

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

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

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

4.20 CONTINGENT LIABILITIES

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 OPERATING SEGMENTS

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

4.22 EARNINGS PER ORDINARY SHARE

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

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

4.23 BORROWING COSTS

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

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

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

4.24 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.25 REVENUE AND OTHER INCOME

(a) Sale of Goods

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

(b) Services

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

(c) Interest Income

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

(d) Dividend Income

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

(e) Rental Income

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

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2016 RM	2015 RM
Unquoted shares, at cost	631,889,160	626,888,960

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2016 %	2015 %	Principal Activities
Subsidiaries of the Company				
Baram Trading Sdn. Bhd.	Malaysia	85	85	Cultivation of oil palm
Burung Tiong Helicopter Sdn. Bhd.	Malaysia	85	85	Aircraft operations and services
Formasi Abadi Sdn. Bhd.^	Malaysia	100	100	Cultivation of oil palm
Jayamax Plantation Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Lumiera Enterprise Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Midas Plantation Sdn. Bhd.*	Malaysia	100	100	In the process of winding up
Nescaya Palma Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Novelpac-Puncakdana Plantation Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Pelita-Splendid Plantation Sdn. Bhd.#	Malaysia	70	70	Cultivation of oil palm
PJP Pelita Biawak Plantation Sdn. Bhd.#	Malaysia	85	85	Cultivation of oil palm
PJP Pelita Ekang-Banyok Plantation Sdn. Bhd.	Malaysia	60	60	Cultivation of oil palm
PJP Pelita Lundu Plantation Sdn. Bhd.	Malaysia	60	60	Cultivation of oil palm

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (cont'd):-

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2016 %	2015 %	Principal Activities
Subsidiaries of the Company				
PJP Pelita Selangau Plantation Sdn. Bhd.#	Malaysia	60	60	Cultivation of oil palm
PJP Pelita Ulu Teru Plantation Sdn. Bhd.#	Malaysia	60	60	Cultivation of oil palm
R. H. Plantation Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm and operation of palm oil mill
Rajang Agrisupplies Sdn. Bhd.	Malaysia	100	100	Wholesaling and retailing of agricultural fertilisers
Rajang Builders Sdn. Bhd.	Malaysia	100	100	Plantation contract work and provision of transportation services
Rakantama Sdn. Bhd.#	Malaysia	100	-	Insurance agency services
Rimbunan Sawit Management Services Sdn. Bhd.	Malaysia	100	100	Investment holding and provision of management services
RSB Palm Oil Mill Sdn. Bhd.	Malaysia	100	100	Operation of palm oil mill
Timrest Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Woodijaya Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm

^ *This subsidiary is held through Nescaya Palma Sdn Bhd.*

* *This subsidiary is held through Rimbunan Sawit Holdings Sdn Bhd.*

\# *These subsidiaries were audited by other firms of chartered accountants.*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) During the current financial year, the Company has acquired 100% equity interest in Rakantama Sdn. Bhd. The details of the acquisition are disclosed in Note 29 to the financial statements.

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

	Effective Equity Interest		The Group	
	2016	**2015**	**2016**	**2015**
	%	**%**	**RM**	**RM**
PJP Pelita Biawak Plantation Sdn. Bhd . ("Biawak")	15	15	8,671,344	9,195,149
PJP Pelita Lundu Plantation Sdn. Bhd . ("Lundu")	40	40	30,220,793	34,668,656
PJP Pelita Selangau Plantation Sdn. Bhd. ("Selangau")	40	40	(790,603)	1,920,726
PJP Pelita Ulu Teru Plantation Sdn. Bhd. ("Ulu Teru")	40	40	3,923,708	5,990,599
Other individually immaterial subsidiaries			121,812	2,816,090
			42,147,054	54,591,220

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

	Biawak	
	2016	**2015**
	RM	**RM**
<u>At 31 December</u>		
Non-current assets	80,137,028	86,181,658
Current assets	2,192,425	2,095,920
Non-current liabilities	(17,421,508)	(18,626,897)
Current liabilities	(7,098,984)	(8,349,690)
Net assets	57,808,961	61,300,991
<u>Financial year ended 31 December</u>		
Revenue	9,201,784	9,503,731
Loss for the financial year	(3,473,153)	(4,102,596)
Total comprehensive income	(3,473,153)	(4,102,596)
Total comprehensive income attributable to non-controlling interests	(520,973)	(615,389)
Dividends paid to non-controlling interests	-	-
Net cash flows from operating activities	2,138,672	746,684
Net cash flows (for)/from investing activities	(605,317)	314,965
Net cash flows for financing activities	(1,544,582)	(1,146,743)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Lundu	
	2016 RM	**2015 RM**
<u>At 31 December</u>		
Non-current assets	114,307,568	125,684,807
Current assets	3,676,047	2,902,355
Non-current liabilities	(26,751,528)	(29,387,360)
Current liabilities	(15,680,105)	(12,528,168)
Net assets	75,551,982	86,671,634
<u>Financial year ended 31 December</u>		
Revenue	24,108,143	21,932,680
Loss for the financial year	(2,620,237)	(4,794,141)
Total comprehensive income	(2,620,237)	(4,794,141)
Total comprehensive income attributable to non-controlling interests	(1,048,095)	(1,917,656)
Dividends paid to non-controlling interests	(3,380,889)	(6,763,156)
Net cash flows from operating activities	7,109,818	11,181,725
Net cash flows (for)/from investing activities	(662,725)	114,210
Net cash flows for financing activities	(6,592,844)	(12,516,394)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Selangau	
	2016	**2015**
	RM	**RM**
At 31 December		
Non-current assets	78,364,136	80,952,927
Current assets	1,662,010	2,084,240
Non-current liabilities	-	(488,709)
Current liabilities	(82,002,654)	(77,746,643)
Net (liabilities)/assets	(1,976,508)	4,801,815
Financial year ended 31 December		
Revenue	6,113,345	6,806,951
Loss for the financial year	(6,779,363)	(4,625,619)
Total comprehensive income	(6,779,363)	(4,625,619)
Total comprehensive income attributable to non-controlling interests	(2,711,745)	(1,850,248)
Dividends paid to non-controlling interests	-	-
Net cash flows from operating activities	1,229,914	1,935,815
Net cash flows for investing activities	(1,751,244)	(3,688,794)
Net cash flows from financing activities	531,943	1,223,163

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Ulu Teru	
	2016 **RM**	**2015** **RM**
<u>At 31 December</u>		
Non-current assets	134,582,954	131,373,524
Current assets	5,438,814	4,972,763
Non-current liabilities	(45,373,388)	(49,803,092)
Current liabilities	(84,839,110)	(71,566,698)
Net assets	9,809,270	14,976,497
<u>Financial year ended 31 December</u>		
Revenue	8,725,586	5,030,858
Loss for the financial year	(5,167,817)	(4,281,942)
Total comprehensive income	(5,167,817)	(4,281,942)
Total comprehensive income attributable to non-controlling interests	(2,067,127)	(1,712,777)
Dividends paid to non-controlling interests	-	-
Net cash flows from operating activities	4,061,170	153,045
Net cash flows for investing activities	(4,421,122)	(3,765,138)
Net cash flows from financing activities	150,636	3,443,518

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unquoted shares, at cost	25,137,296	25,137,296	25,137,296	25,137,296
Share of post-acquisition reserves	(1,622,514)	(1,622,514)	-	-
	23,514,782	23,514,782	25,137,296	25,137,296
Less: Accumulated impairment losses	(19,117,486)	(19,117,486)	(20,740,000)	(20,740,000)
	4,397,296	4,397,296	4,397,296	4,397,296

The details of the associate are as follows:-

Name of Associate	Principal Place of Business/Country of Incorporation	Effective Equity Interest 2016 %	Effective Equity Interest 2015 %	Principal Activities
Lubuk Tiara Sdn Bhd#	Malaysia	44	44	Cultivation of oil palm

The associate was audited by other firms of chartered accountants.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. INVESTMENT IN AN ASSOCIATE (CONT'D)

(b) The summarised unaudited financial information (after any fair value adjustment at acquisition date) for the associate is as follows:-

	Lubuk Tiara Sdn Bhd	
	2016 RM	2015 RM
At 31 December		
Non-current assets	103,020,900	103,020,900
Current assets	15,743,920	15,743,920
Non-current liabilities	(69,770,000)	(69,770,000)
Current liabilities	(38,999,295)	(38,999,295)
Net assets	9,995,525	9,995,525
Financial year ended 31 December		
Revenue	-	16,575,322
Loss for the financial year	-	(1,304,927)
Total comprehensive income	-	(1,304,927)
Group's share of loss for the financial year	-	(574,168)
Group's share of other comprehensive income	-	-
Dividend received	-	-
Reconciliation of net assets to carrying amount		
Group's share of net assets	4,397,296	4,397,296
Goodwill	-	-
Carrying amount of the Group's interests in the associate	4,397,296	4,397,296

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2016 RM	Additions RM	Disposals RM	Write-offs RM	Reclassifi-cations RM	Depreciation Charges RM	Impairment Losses RM	At 31.12.2016 RM
2016								
Net Book Value								
Land and buildings	2,310,910	-	-	-	-	(194,548)	-	2,116,362
Leasehold land	194,653,606	54,000	-	-	-	(4,233,116)	-	190,474,490
Buildings, drainage and roads	384,201,594	2,961,890	(633,335)	-	3,080,156	(37,402,099)	(5,239,501)	346,968,705
Nursery irrigation systems	140,155	-	-	-	-	(17,704)	-	122,451
Motor vehicles,plant and machinery	23,168,992	13,936,769	(3,220,676)	(98,342)	1,268,908	(3,604,770)	-	31,450,881
Equipment and furniture	9,818,176	1,096,665	(17,042)	(2,134)	124,682	(2,277,136)	-	8,743,211
Capital work-in-progress	71,341,030	16,855,606	(44,174)	(78,963)	(4,519,785)	-	-	83,553,714
	685,634,463	34,904,930	(3,915,227)	(179,439)	(46,039)	(47,729,373)	(5,239,501)	663,429,814

The Group	At 1.1.2015 RM	Additions RM	Disposals RM	Write-offs RM	Reclassifi-cations RM	Depreciation Charges RM	At 31.12.2015 RM
2015							
Net Book Value							
Land and buildings	2,505,457	-	-	-	-	(194,547)	2,310,910
Leasehold land	198,861,592	-	-	-	-	(4,207,986)	194,653,606
Buildings, drainage and roads	393,170,077	2,610,397	-	(4,995)	11,103,347	(22,677,232)	384,201,594
Nursery irrigation systems	157,858	-	-	-	-	(17,703)	140,155
Motor vehicles, plant and machinery	18,984,912	17,131,522	(3,212,602)	(57,202)	(1,083)	(9,676,555)	23,168,992
Equipment and furniture	8,537,720	3,399,474	(123,977)	(2)	63,048	(2,058,087)	9,818,176
Capital work-in-progress	36,422,171	47,398,668	(563,126)	(224,751)	(11,691,932)	-	71,341,030
	658,639,787	70,540,061	(3,899,705)	(286,950)	(526,620)	(38,832,110)	685,634,463

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

The Group	At Cost RM	Accumulated Depreciation RM	Accumulated Impairment Losses RM	Net Book Value RM
2016				
Land and buildings	3,406,273	(1,289,911)	-	2,116,362
Leasehold land	221,022,512	(30,548,022)	-	190,474,490
Buildings, drainage and roads	541,990,918	(189,782,712)	(5,239,501)	346,968,705
Nursery irrigation systems	661,340	(538,889)	-	122,451
Motor vehicles, plant and machinery	114,326,070	(82,875,189)	-	31,450,881
Equipment and furniture	23,648,811	(14,905,600)	-	8,743,211
Capital work-in-progress	83,553,714	-	-	83,553,714
	988,609,638	(319,940,323)	(5,239,501)	663,429,814

	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
2015			
Land and buildings	3,406,273	(1,095,363)	2,310,910
Leasehold land	220,968,512	(26,314,906)	194,653,606
Buildings, drainage and roads	535,784,409	(151,582,815)	384,201,594
Nursery irrigation systems	661,340	(521,185)	140,155
Motor vehicles, plant and machinery	105,331,795	(82,162,803)	23,168,992
Equipment and furniture	22,465,203	(12,647,027)	9,818,176
Capital work-in-progress	71,341,030	-	71,341,030
	959,958,562	(274,324,099)	685,634,463

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

The Company	At 1.1.2016 RM	Additions RM	Disposals RM	Depreciation Charges RM	At 31.12.2016 RM
2016					
Net Book Value					
Buildings	4,775,749	40,184	(621,113)	(457,309)	3,737,511
Motor vehicles	534,450	-	(149,250)	(50,958)	334,242
Equipment and furniture	3,946,684	51,414	-	(916,700)	3,081,398
	9,256,883	91,598	(770,363)	(1,424,967)	7,153,151

	At 1.1.2015 RM	Additions RM	Disposals RM	Reclassifi-cations RM	Depreciation Charges RM	At 31.12.2015 RM
2015						
Net Book Value						
Buildings	2,052,505	-	-	2,963,265	(240,021)	4,775,749
Motor vehicles	577,091	385,000	(223,286)	-	(204,355)	534,450
Equipment and furniture	2,791,732	2,041,187	(122,909)	-	(763,326)	3,946,684
Capital work-in-progress	536,666	2,479,281	-	(3,015,947)	-	-
	5,957,994	4,905,468	(346,195)	(52,682)	(1,207,702)	9,256,883

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

The Company	At Cost RM	Accumulated Depreciation RM	Net Book Value RM
2016			
Buildings	4,503,043	(765,532)	3,737,511
Motor vehicles	1,010,144	(675,902)	334,242
Equipment and furniture	5,477,593	(2,396,195)	3,081,398
	10,990,780	(3,837,629)	7,153,151
2015			
Buildings	5,094,232	(318,483)	4,775,749
Motor vehicles	1,287,783	(753,333)	534,450
Equipment and furniture	5,426,179	(1,479,495)	3,946,684
	11,808,194	(2,551,311)	9,256,883

(a) Included in the depreciation charge of the Group for the financial year is an amount of RM11,493,744 (2015: RM4,639,700), which is capitalised under biological assets.

(b) Included in the property, plant and equipment of the Group and of the Company at the end of the reporting period are motor vehicles, plant and machinery with a total net book value of RM11,644,436 (2015: RM7,540,127) and RM291,872 (2015: RM327,250) respectively, which are acquired under hire purchase terms.

(c) The net book value of property, plant and equipment pledged to licensed banks as security for banking facilities granted to the Group (Note 20) is as follows:-

	The Group	
	2016 RM	2015 RM
Leasehold land	147,592,747	150,866,108
Buildings, drainage and roads	232,769,149	256,331,372
Nursery irrigation systems	4	4
Capital work-in-progress	82,961,738	70,669,300
	463,323,638	477,866,784

(d) Interest expense capitalised during the financial year under capital work-in-progress of the Group amounted to RM2,516,616 (2015: RM1,435,906).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

	The Group	
	2016 RM	2015 RM
Unexpired period of less than 50 years	124,664,122	127,551,379
Unexpired period of more than 50 years	65,810,368	67,102,227
	190,474,490	194,653,606

(f) During the financial year, the Group has carried out a review of the recoverable amounts of its plantation assets because certain oil palm plantations had been persistently making losses. An impairment loss of RM5,239,501 (2015: Nil), representing the write-down of the building, drainage and roads to the recoverable amounts was recognised in "Administrative and Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 26 to the financial statements. The recoverable amounts of the plantation assets were based on:-

(i) their value-in-use, with a pre-tax discount rate of 8.5% (2015: Nil)
(ii) their fair value less costs of disposal, which is based on the discounted cash flows method performed by an independent external valuation expert.

8. INTANGIBLE ASSETS

The Group	At 1.1.2016 RM	Amortisation Charge RM	Impairment Losses RM	At 31.12.2016 RM
2016				
Net Book Value				
Computer software	2,288,927	(579,681)	-	1,709,246
Commercial rights on LPF	21,394,601	(412,095)	(1,547,663)	19,434,843
	23,683,528	(991,776)	(1,547,663)	21,144,089

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INTANGIBLE ASSETS (CONT'D)

	At 1.1.2015 RM	Additions RM	Reclassifications RM	Amortisation Charge RM	At 31.12.2015 RM
2015					
Net Book Value					
Computer software	2,579,700	17,214	235,682	(543,669)	2,288,927
Commercial rights on LPF	21,806,697	-	-	(412,096)	21,394,601
Capital work-in-progress	183,000	-	(183,000)	-	-
	24,569,397	17,214	52,682	(955,765)	23,683,528

The Group	At Cost RM	Accumulated Amortisation RM	Accumulated Impairment Losses RM	Net Book Value RM
2016				
Computer software	3,894,148	(2,184,902)	-	1,709,246
Commercial rights on LPF	23,592,442	(2,609,936)	(1,547,663)	19,434,843
	27,486,590	(4,794,838)	(1,547,663)	21,144,089

	At Cost RM	Accumulated Amortisation RM	Net Book Value RM
2015			
Computer software	3,894,148	(1,605,221)	2,288,927
Commercial rights on LPF	23,592,442	(2,197,841)	21,394,601
	27,486,590	(3,803,062)	23,683,528

The Company	At 1.1.2016 RM	Amortisation Charge RM	At 31.12.2016 RM
2016			
Net Book Value			
Computer software	2,279,285	(573,772)	1,705,513

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. INTANGIBLE ASSETS (CONT'D)

	At 1.1.2015 RM	Additions RM	Reclassifi-cations RM	Amortisation Charge RM	At 31.12.2015 RM
2015					
Net Book Value					
Computer software	2,556,048	17,214	235,682	(529,659)	2,279,285
Capital work-in-progress	183,000	-	(183,000)	-	-
	2,739,048	17,214	52,682	(529,659)	2,279,285

The Company	At Cost RM	Accumulated Amortisation RM	Net Book Value RM
2016			
Computer software	3,293,592	(1,588,079)	1,705,513
2015			
Computer software	3,293,592	(1,014,307)	2,279,285

(a) Included in the amortisation charge of the Group for the financial year is an amount of RM197,641 (2015: RM279,813), which is capitalised under biological assets.

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

The Tree Planting Plan has been approved and incorporated the planting of oil palm for a maximum period of 25 years (with 14 years remaining at the end of the reporting period). Upon expiry of the said period of 25 years, the licensed area where oil palm is permitted to be cultivated shall be planted with trees other than oil palm.

(c) During the financial year, the Group has made an impairment allowance of RM1,547,663 in respect of its commercial rights on LPF because of a subsequent disposal of the asset below its carrying amount as disclosed in Note 38 to the financial statements. The recoverable amount of the commercial rights was based on the discounted cash flows method performed by an independent external valuation expert.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. **BIOLOGICAL ASSETS**

The Group	At 1.1.2016 RM	Additions RM	Write-offs RM	Reclassifi-cations RM	Amortisation Charges RM	Impairment Losses RM	At 31.12.2016 RM
2016							
Net Book Value							
Oil palm plantation	772,892,911	46,291,547	(41,715)	35,328	(39,949,443)	(17,921,385)	761,307,243
Gaharu plantation	6,241,875	2,787,784	-	10,711	-	-	9,040,370
Rubber plantation	6,862,661	1,715,719	-	-	-	-	8,578,380
Banana plantation	6,190	-	(6,190)	-	-	-	-
	786,003,637	50,795,050	(47,905)	46,039	(39,949,443)	(17,921,385)	778,925,993

	At 1.1.2015 RM	Additions RM	Write-offs RM	Reclassifi-cations RM	Amortisation Charge RM	At 31.12.2015 RM
2015						
Net Book Value						
Oil palm plantation	768,912,786	42,685,281	(3,801,213)	457,426	(35,361,369)	772,892,911
Gaharu plantation	4,842,167	1,383,196	-	16,512	-	6,241,875
Rubber plantation	4,587,830	2,274,831	-	-	-	6,862,661
Banana plantation	6,190	-	-	-	-	6,190
	778,348,973	46,343,308	(3,801,213)	473,938	(35,361,369)	786,003,637

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. BIOLOGICAL ASSETS (CONT'D)

The Group	At Cost RM	Accumulated Amortisation RM	Accumulated Impairment Losses RM	Net Book Value RM
2016				
Oil palm plantation	1,031,409,396	(252,180,768)	(17,921,385)	761,307,243
Gaharu plantation	9,040,370	-	-	9,040,370
Rubber plantation	8,578,380	-	-	8,578,380
	1,049,028,146	(252,180,768)	(17,921,385)	778,925,993

	At Cost RM	Accumulated Amortisation RM	Net Book Value RM
2015			
Oil palm plantation	985,177,995	(212,285,084)	772,892,911
Gaharu plantation	6,241,875	-	6,241,875
Rubber plantation	6,862,661	-	6,862,661
Banana plantation	6,190	-	6,190
	998,288,721	(212,285,084)	786,003,637

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

	The Group 2016 RM	The Group 2015 RM
Amortisation of intangible assets	197,641	279,813
Depreciation of property, plant and equipment	11,493,744	4,639,700
Finance costs:-		
- bankers' acceptance	5,414	-
- bank overdrafts	256,067	353,063
- hire purchase obligations	44,193	20,508
- revolving credit	6,074,285	2,245,848
- term loans	6,871,997	9,500,481
Rental on:-		
- equipment	4,757	53,178
- land	1,600	-
- plant and machinery	412,933	-
- premises	10,189	110,939
- wharf	3,731	-
Staff costs:-		
- short-term employee benefits	3,337,664	3,489,287
- defined contribution plan	515,738	574,651

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. BIOLOGICAL ASSETS (CONT'D)

(b) The net book value of biological assets pledged to licensed banks as security for banking facilities granted to the Group (Note 20) is RM550,539,027 (2015: RM545,629,476).

(c) During the financial year, the Group has carried out a review of the recoverable amounts of its plantation assets because certain oil palm plantations had been persistently making losses. An impairment loss of RM17,921,385 (2015: Nil), representing the write-down of the biological assets to the recoverable amounts was recognised in "Administrative and Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 26 to the financial statements. The recoverable amounts of the plantation assets were based on:-

(i) their value-in-use, with a pre-tax discount rate of 8.5% (2015: Nil)
(ii) their fair value less costs of disposal, which is based on the discounted cash flows method performed by an independent external valuation expert.

10. OTHER INVESTMENT

	The Group/The Company	
	2016 RM	2015 RM
Unquoted shares, at cost	5,000,000	5,000,000

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

11. GOODWILL

	The Group	
	2016 RM	2015 RM
At 1 January	64,746,109	64,746,109
Acquisition of a subsidiary (Note 29)	13,418	-
Less: Accumulated impairment losses	(4,000,000)	-
At 31 December	60,759,527	64,746,109
Accumulated impairment losses:-		
At 1 January	-	-
Addition during the financial year	4,000,000	-
At 31 December	4,000,000	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. GOODWILL (CONT'D)

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

(i) Discount rate (pre-tax) – an estimate of pre-tax rate that reflects specific risks relating to oil palm plantation, which is 8.50% (2015: 10.00%) per annum.

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

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

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

12. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group at the end of the reporting period have been pledged to a licensed bank as security for banking facilities granted to the Group (Note 20).

The deposits earn interest at rate of 3.45% (2015: 3.45%) per annum and have maturity period of 34 (2015: 46) months.

13. DEFERRED TAX

The Group	At 1.1.2016 RM	Recognised in Profit or Loss (Note 27) RM	At 31.12.2016 RM
2016			
Deferred Tax Liabilities			
Property, plant and equipment, intangible and biological assets	275,263,926	(8,913,969)	266,349,957
Deferred Tax Assets			
Unused tax losses	(48,475,621)	715,297	(47,760,324)
Unabsorbed agriculture/capital allowance	(91,908,455)	233,464	(91,674,991)
	(140,384,076)	948,761	(139,435,315)
	134,879,850	(7,965,208)	126,914,642

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. DEFERRED TAX (CONT'D)

The Group	**At 1.1.2015 RM**	**Recognised in Profit or Loss (Note 27) RM**	**At 31.12.2015 RM**
2015			
Deferred Tax Liabilities			
Property, plant and equipment, intangible and biological assets	275,324,719	(60,793)	275,263,926
Deferred Tax Assets			
Unused tax losses	(43,993,343)	(4,482,278)	(48,475,621)
Unabsorbed agriculture/capital allowance	(87,855,605)	(4,052,850)	(91,908,455)
	(131,848,948)	(8,535,128)	(140,384,076)
	143,475,771	(8,595,921)	134,879,850

The Company	**At 1.1.2016 RM**	**Recognised in Profit or Loss (Note 27) RM**	**At 31.12.2016 RM**
2016			
Deferred Tax Liabilities			
Property, plant and equipment, and intangible assets	777,367	(58,092)	719,275

The Company	**At 1.1.2015 RM**	**Recognised in Profit or Loss (Note 27) RM**	**At 31.12.2015 RM**
2015			
Deferred Tax Liabilities			
Property, plant and equipment, and intangible assets	593,950	183,417	777,367

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. DEFERRED TAX (CONT'D)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same taxation authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deferred tax liabilities	126,944,642	140,037,644	719,275	777,367
Deferred tax assets	-	(5,157,794)	-	-
	126,944,642	134,879,850	719,275	777,367

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

	The Group	
	2016 RM	2015 RM
Deductible temporary differences	716,696	103,598
Unused tax losses	4,662,159	34,851
Unabsorbed agriculture/capital allowance	637,552	421,655
	6,016,407	560,104

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. INVENTORIES

	The Group	
	2016 **RM**	**2015** **RM**
At cost:-		
Processed inventories	2,813,334	3,940,344
Nursery inventories	4,496,069	12,920,810
Sundry stores and consumables	13,095,528	14,497,920
	20,404,931	31,359,074
Less: Allowance for stock obsolescence	(233,558)	(239,503)
	20,171,373	31,119,571
At net realisable value:-		
Nursery inventories	1,166,706	-
	21,338,079	31,119,571

15. TRADE RECEIVABLES

	The Group	
	2016 **RM**	**2015** **RM**
Trade receivables:-		
- third parties	12,432,040	5,637,901
- related parties	7,872,950	3,374,276
	20,304,990	9,012,177

The Group's normal trade credit terms range from 7 to 60 (2015: 7 to 60) days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables:-				
- third parties	3,882,325	2,729,418	16,183	29,250
- related parties	19,297,699	18,839,376	12,467,589	12,385,645
- goods and services tax recoverable	2,229,567	1,074,641	53,103	51,888
	25,409,591	22,643,435	12,536,875	12,466,783
Deposits	686,908	769,982	257,968	257,028
Prepayments	3,666,235	4,838,557	247,509	269,466
	29,762,734	28,251,974	13,042,352	12,993,277
Less: Allowance for impairment losses	(12,329,572)	-	(12,273,877)	-
	17,433,162	28,251,974	768,475	12,993,277
Allowance for impairment losses:-				
At 1 January	-	-	-	-
Addition during the financial year	12,329,572	-	12,273,877	-
At 31 December	12,329,572	-	12,273,877	-

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

17. AMOUNT OWING BY/(TO) SUBSIDIARIES

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

(b) The amount owing by subsidiaries earns interest at rate of 4.85% (2015: 0.53% to 0.61%) per annum.

(c) The amount owing to subsidiaries bears interest at rate of 4.83% (2015: Nil) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. SHARE CAPITAL

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

	The Group/The Company			
	2016	2015	2016	2015
	Number of Shares		RM	RM
Authorised				
Ordinary shares of RM0.50 each	2,200,000,000	2,200,000,000	1,100,000,000	1,100,000,000
ICPS of RM0.50 each	300,000,000	300,000,000	150,000,000	150,000,000
Total	2,500,000,000	2,500,000,000	1,250,000,000	1,250,000,000
Issued and Fully Paid-up				
(i) Ordinary shares of RM0.50 each				
At 1 January	1,418,487,551	1,308,504,944	709,243,775	654,252,472
Conversion from ICPSs	-	109,982,607	-	54,991,303
At 31 December	1,418,487,551	1,418,487,551	709,243,775	709,243,775
(ii) ICPS of RM0.50 each				
At 1 January	164,876,929	193,972,857	82,438,465	96,986,429
Conversion to ordinary shares	-	(29,095,928)	-	(14,547,964)
At 31 December	164,876,929	164,876,929	82,438,465	82,438,465
Total	1,583,364,480	1,583,364,480	791,682,240	791,682,240

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. SHARE CAPITAL (CONT'D)

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

(i)	Dividend	The ICPS holders are entitled to any dividend declared or paid ranking pari passu with ordinary shares, payable on the date dividends are paid on the ordinary shares. The ICPS holders shall not be entitled to any other rights, allotments, and/or other distributions that may be declared by the Company.
(ii)	Maturity	The maturity date is the tenth anniversary date of the issue date of the ICPSs. The ICPSs were issued on 1 October 2010.
(iii)	Conversion	The ICPSs shall be converted at the option of the ICPS holders into ordinary shares of the Company at any time up to the maturity date. The ICPSs are not redeemable for cash. All outstanding ICPSs are mandatorily converted into new ordinary shares upon maturity. One ICPS shall be converted into 3.78 new ordinary shares.
(iv)	Ranking	All new ordinary shares issued upon conversion of the ICPSs shall rank pari passu with all existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, the entitlement date of which is prior to the date of allotment of the said new ordinary shares.
(v)	Voting right	The ICPS holders shall have no right to vote at any general meeting of the Company except on resolutions to amend the ICPS holders' rights, to commence dissolution of the Company, or when dividend on the ICPSs is in arrears for more than six months.
(vi)	Further participation	The ICPS holders shall not be entitled to participate in the profit or surplus assets of the Company.

19. RESERVES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable reserves:-				
- share premium	15,446,950	15,446,950	15,446,950	15,446,950
- merger reserve	(53,065,553)	(53,065,553)	-	-
	(37,618,603)	(37,618,603)	15,446,950	15,446,950
Distributable reserves:-				
- (accumulated losses)/retained profits	(6,363,010)	60,302,236	32,687,116	37,638,212
	(43,981,613)	22,683,633	48,134,066	53,085,162

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. RESERVES (CONT'D)

(a) The share premium reserve represents the premium paid on subscription of shares in the Company over and above the par value of the shares issued, net of transaction costs (if any). The share premium reserve is not distributable by way of dividends and may be utilised in the manner set out in Section 60(3) of the Companies Act 1965.

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

20. BORROWINGS

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Long-term borrowings:-				
- hire purchase obligations (Note 21)	4,864,614	3,641,125	51,494	170,560
- term loans, secured	345,721,989	329,442,898	-	-
- term loans, unsecured	3,507,222	-	3,507,222	-
	354,093,825	333,084,023	3,558,716	170,560
Short-term borrowings:-				
- bank overdrafts, secured	12,408,009	9,921,119	-	-
- bank overdrafts, unsecured	670,551	179,758	1,334,655	2,256,755
- bankers' acceptance, unsecured	28,696,572	21,169,849	-	-
- hire purchase obligations (Note 21)	4,379,898	2,545,940	119,066	112,670
- revolving credit, secured	70,991,000	65,991,000	-	-
- revolving credit, unsecured	56,200,000	73,000,000	31,200,000	58,000,000
- term loans, secured	53,833,968	48,417,892	-	-
- term loans, unsecured	911,553	-	911,553	-
- unsecured loans	3,020,000	3,020,000	-	-
	231,111,551	224,245,558	33,565,274	60,369,425
Total borrowings	585,205,376	557,329,581	37,123,990	60,539,985

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. BORROWINGS (CONT'D)

The term loans are repayable as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
- not later than 1 year	54,745,521	48,417,892	911,553	-
Non-current				
- later than 2 years and not later than 5 years	70,490,960	56,587,322	978,908	-
- later than 2 years and not later than 5 years	174,982,364	176,936,977	2,528,314	-
- later than 5 years	103,755,887	95,909,599	-	-
	349,229,211	329,442,898	3,507,222	-
	403,974,732	377,860,790	4,418,775	-

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

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

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

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

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

(d) fixed deposits of the Company;

(e) corporate guarantee provided by the Company; and

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

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

Term loan 1 at COF + 0.50% per annum	Repayable in 144 monthly instalments, effective from January 2012, as follows:- 2012 – 12 monthly instalments of RM324,583 each 2013 to 2016 – 37 monthly instalments of RM1,300,287 each 2016 to 2018 – 24 monthly instalments of RM212,803 each 2018 to 2024 – 70 monthly instalments of RM872,781 each with a final instalment of RM872,752

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. BORROWINGS (CONT'D)

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

Term loan 2 at COF + 1.25% per annum	Repayable in 20 quarterly instalments, effective from March 2014, as follows:- 2014 to 2015 – 4 quarterly instalments of RM2.25 million each 2015 to 2016 – 4 quarterly instalments of RM3.375 million each 2016 to 2017 – 4 quarterly instalments of RM4.50 million each 2017 to 2018 – 4 quarterly instalments of RM5.625 million each 2018 to 2019 – 4 quarterly instalments of RM6.75 million each
Term loan 3 at COF + 0.50% per annum	Repayable in 48 quarterly instalments, effective from May 2014, as follows:- 2014 to 2017 – 12 quarterly instalments of RM884,000 each 2017 onwards – 35 quarterly instalments of RM2,834,671 each with a final instalment of RM2,834,655
Term loan 4 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from June 2014, as follows:- 2014 to 2015 – 4 quarterly instalments of RM0.50 million each 2015 to 2016 – 4 quarterly instalments of RM1.00 million each 2016 to 2017 – 4 quarterly instalments of RM1.50 million each 2017 to 2018 – 4 quarterly instalments of RM2.00 million each 2018 to 2019 – 4 quarterly instalments of RM2.00 million each 2019 to 2020 – 4 quarterly instalments of RM2.50 million each
Term loan 5 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from June 2015, as follows:- 2015 to 2016 – 4 quarterly instalments of RM0.20 million each 2016 to 2017 – 4 quarterly instalments of RM0.40 million each 2017 to 2018 – 4 quarterly instalments of RM0.60 million each 2018 to 2019 – 4 quarterly instalments of RM0.65 million each 2019 to 2020 – 4 quarterly instalments of RM0.70 million each 2020 to 2021 – 4 quarterly instalments of RM0.95 million each
Term loan 6 at COF + 1.00% per annum	Repayable in 35 monthly instalments of RM555,000 each with a final instalment of RM575,000, effective from January 2016
Term loan 7 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from January 2016, as follows:- 2016 to 2020 – 20 quarterly instalments of RM0.375 million each 2021 – 4 quarterly instalments of RM0.625 million each
Term loan 8 at BFR + 0.50% per annum	Repayable in 60 monthly instalments of RM99,834 each, effective from May 2016

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. BORROWINGS (CONT'D)

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

Term loan 9 at COF + 1.25% per annum	Repayable in 23 quarterly instalments of RM833,000 each with a final instalment of RM841,000, effective from June 2016
Term loan 10 at COF + 1.25% per annum	Repayable in 60 monthly instalments, effective from July 2016, as follows:- 2016 to 2017 – 12 monthly instalments of RM0.15 million each 2017 to 2018 – 12 monthly instalments of RM0.40 million each 2018 to 2019 – 12 monthly instalments of RM0.70 million each 2019 to 2020 – 12 monthly instalments of RM1.10 million each 2020 to 2021 – 12 monthly instalments of RM1.65 million each
Term loan 11 at COF + 1.00% per annum	Repayable in 60 monthly instalments, effective from August 2016, as follows:- 2016 to 2017 – 12 monthly instalments of RM0.10 million each 2017 to 2018 – 12 monthly instalments of RM0.15 million each 2018 to 2019 – 12 monthly instalments of RM0.40 million each 2019 to 2020 – 12 monthly instalments of RM0.55 million each 2020 to 2021 – 12 monthly instalments of RM0.675 million each
Term loan 12 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from October 2016, as follows:- 2016 to 2017 – 4 quarterly instalments of RM0.061 million each 2017 to 2018 – 4 quarterly instalments of RM0.123 million each 2018 to 2019 – 4 quarterly instalments of RM0.184 million each 2019 to 2020 – 4 quarterly instalments of RM0.200 million each 2020 to 2021 – 4 quarterly instalments of RM0.215 million each 2021 to 2022 – 4 quarterly instalments of RM0.292 million each
Term loan 13 at COF + 1.25% per annum	Repayable in 90 monthly instalments, effective from February 2017, as follows:- 2017 – 6 monthly instalments of RM150,000 each 2017 to 2018 – 12 monthly instalments of RM250,000 each 2018 to 2019 – 12 monthly instalments of RM350,000 each 2019 to 2020 – 12 monthly instalments of RM460,000 each 2020 to 2021 – 12 monthly instalments of RM570,000 each 2021to 2022 – 12 monthly instalments of RM680,000 each 2022 to 2023 – 12 monthly instalments of RM780,000 each 2023 to 2024 – 11 monthly instalments of RM870,000 each with a final instalment of RM850,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. BORROWINGS (CONT'D)

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

Term loan 14 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from December 2017, as follows:- 2017 to 2018 – 4 quarterly instalments of RM0.20 million each 2018 to 2019 – 4 quarterly instalments of RM0.40 million each 2019 to 2020 – 4 quarterly instalments of RM0.60 million each 2020 to 2021 – 4 quarterly instalments of RM0.65 million each 2021 to 2022 – 4 quarterly instalments of RM0.70 million each 2022 to 2023 – 4 quarterly instalments of RM0.95 million each
Term loan 15 at COF + 1.25% per annum	Repayable in 24 quarterly instalments, effective from December 2018, as follows:- 2018 to 2019 – 4 quarterly instalments of RM0.096 million each 2019 to 2020 – 4 quarterly instalments of RM0.192 million each 2020 to 2021 – 4 quarterly instalments of RM0.288 million each 2021 to 2022 – 4 quarterly instalments of RM0.312 million each 2022 to 2023 – 4 quarterly instalments of RM0.336 million each 2023 to 2024 – 3 quarterly instalments of RM0.456 million each with a final instalment of RM0.392 million each
Term loan 16 at COF + 1.00% per annum	Repayable in 32 quarterly instalments, effective from January 2019, as follows:- 2019 to 2021 – 12 quarterly instalments of RM468,000 each 2022 – 4 quarterly instalments of RM972,000 each 2023 – 4 quarterly instalments of RM1,458,000 each 2024 – 4 quarterly instalments of RM1,458,000 each 2025 – 4 quarterly instalments of RM1,944,000 each 2026 – 4 quarterly instalments of RM2,430,000 each

The unsecured loans are granted by a company in which certain directors of the Company have substantial financial interests. The loans bear interest at rate of 4.75% (2015: 5.00%) per annum and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. HIRE PURCHASE OBLIGATIONS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Minimum hire purchase payments:-				
- not later than 1 year	4,770,167	2,817,952	125,196	125,196
- later than 1 year and not later than 2 years	3,681,123	2,954,887	52,160	125,196
- later than 2 years and not later than 5 years	1,373,568	834,327	-	52,160
	9,824,858	6,607,166	177,356	302,552
Less: future finance charges	(580,346)	(420,101)	(6,796)	(19,322)
Present value of hire purchase obligations	9,244,512	6,187,065	170,560	283,230
Current				
- not later than 1 year	4,379,898	2,545,940	119,066	112,670
Non-current				
- later than 1 year and not later than 2 years	3,514,870	2,822,255	51,494	119,066
- later than 2 years and not later than 5 years	1,349,744	818,870	-	51,494
	4,864,614	3,641,125	51,494	170,560
	9,244,512	6,187,065	170,560	283,230

(a) The hire purchase obligations of the Group and of the Company are secured by the motor vehicles, plant and machinery under hire purchase.

(b) The hire purchase obligations of the Group and of the Company at the end of the reporting period bore effective interest at rates ranging from 5.24% to 5.50% (2015: 5.40% to 5.50%) and 5.40% (2015: 5.40%) respectively. The interest rates are fixed at the inception of the hire purchase arrangements.

22. TRADE PAYABLES

	The Group	
	2016 RM	2015 RM
Trade payables:-		
- third parties	41,327,242	31,702,668
- related parties	19,409,701	17,820,787
	60,736,943	49,523,455

The normal trade credit terms granted to the Group range from 15 to 90 (2015: 15 to 90) days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables:-				
- third parties	6,212,611	4,783,952	11,971	194,920
- related parties	9,964,614	16,927,869	5,614,862	6,913,504
- goods and services tax payable	995,830	536,833	-	-
	17,173,055	22,248,654	5,626,833	7,108,424
Deposits	25,800	137,000	-	-
Accruals	16,609,106	13,543,302	3,985,586	4,100,332
	33,807,961	35,928,956	9,612,419	11,208,756

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

24. REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Dividend income	-	-	5,071,334	10,144,734
Contract income	-	23,301	-	-
Insurance commission	128,605	-	-	-
Management fee	-	-	-	6,552,000
Sale of – crude palm oil	128,093,484	81,262,453	-	-
– fresh fruit bunches	92,985,794	86,691,627	-	-
– palm kernel	25,614,298	13,834,252	-	-
– palm kernel shell	601,304	348,291	-	-
– empty bunch ash	16,960	-	-	-
– empty fruit bunch	1,089	-	-	-
– sludge oil	839,982	188,825	-	-
– fertilisers	-	30,550	-	-
Transportation income	2,291,193	1,829,644	-	-
	250,572,709	184,208,943	5,071,334	16,696,734

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. FINANCE COSTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest expense on financial liabilities not at fair value through profit or loss:-				
- bank overdrafts	874,797	1,727,749	175,144	240,026
- bankers' acceptance	956,507	546,162	-	-
- hire purchase obligations	473,321	197,232	12,526	10,261
- interest charged by subsidiaries	-	-	3,717,735	-
- revolving credit	6,862,170	6,059,541	2,484,959	2,938,662
- term loans	19,186,797	19,135,297	220,894	-
	28,353,592	27,665,981	6,611,258	3,188,949
Less:-				
- amount capitalised under biological assets (Note 9)	(13,251,956)	(12,119,900)	-	-
- amount included within property, plant and equipment (Note 7)	(2,516,616)	(1,435,906)	-	-
	12,585,020	14,110,175	6,611,258	3,188,949

26. LOSS BEFORE TAXATION

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Loss before taxation is arrived at after charging/(crediting):-				
Allowance for stock obsolescence	-	239,503	-	-
Allowance for stock obsolescence no longer required	(5,945)	-	-	-
Amortisation of biological assets	39,949,443	35,361,369	-	-
Amortisation of intangible assets	794,135	675,952	573,772	529,659
Audit fee:-				
- current financial year	334,000	332,000	50,000	50,000
- under provision in the previous financial year	1,000	-	-	-
Bad debts written off	611	1,500	-	-
Biological assets written off	47,905	3,801,213	-	-
Depreciation of property, plant and equipment	36,235,629	34,192,410	1,424,967	1,207,702
Directors' remuneration (Note 32)	1,647,890	3,190,579	517,000	3,086,379
Finance costs (Note 25)	12,585,020	14,110,175	6,611,258	3,188,949
Gain on disposal of property, plant and equipment	(264,403)	(271,916)	(89,388)	(253,814)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. LOSS BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Loss before taxation is arrived at aftercharging/(crediting) (cont'd):-				
Impairment losses on:-				
- biological assets	17,921,385	-	-	-
- goodwill	4,000,000	-	-	-
- intangible assets	1,547,663	-	-	-
- investment in an associate	-	19,117,486	-	20,740,000
- property, plant and equipment	5,239,501	-	-	-
- receivables	12,329,572	-	12,273,877	-
Interest income on financial assets not at fair value through profit or loss and not impaired	(14,740)	(20,884)	(14,724,003)	(2,938,695)
Inventories written down	400,955	-	-	-
Inventories written off	1,513,103	-	-	-
Management fee	1,821,978	5,197,500	-	-
Property, plant and equipment written off	179,439	286,950	-	-
Rental income	(312,110)	(468,178)	-	(6,000)
Rental on:-				
- equipment	287,786	109,250	-	-
- premises	1,484,953	1,634,312	842,800	842,900
- storage	62,563	-	-	-
- wharf	8,169	-	-	-
Share of results in an associate	-	574,168	-	-
Staff costs (including other key management personnel as disclosed in Note 33):-				
- short-term employee benefits	24,826,368	21,898,451	-	2,570,868
- defined contribution plan	2,930,058	2,759,977	-	298,822

27. INCOME TAX EXPENSE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current tax:-				
- current financial year	6,432,336	1,404,191	1,661,804	-
- real property gain tax	21,000	-	21,000	-
- under provision in the previous financial year	151,188	134,352	-	67,180
	6,604,524	1,538,543	1,682,804	67,180

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. INCOME TAX EXPENSE (CONT'D)

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Deferred tax (Note 13):-				
- origination and reversal of temporary differences	(8,282,309)	(9,703,583)	(337,961)	(58,611)
- under provision in the previous financial year	317,101	1,107,662	279,869	242,028
	(7,965,208)	(8,595,921)	(58,092)	183,417
	(1,360,684)	(7,057,378)	1,624,712	250,597

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

	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Loss before taxation	(77,089,207)	(74,231,949)	(3,326,384)	(13,844,365)
Tax at the statutory tax rate of 24% (2015: 25%)	(18,501,410)	(18,557,987)	(798,332)	(3,461,091)
Tax effects of:-				
Deferred tax recognised at different tax rates	-	404,316	-	2,442
Non-taxable income	(1,232,101)	(4,500)	(1,150,205)	(2,007,788)
Non-deductible expenses	12,598,908	9,070,023	3,272,380	5,407,826
Control transfers	(74,154)	(193,651)	-	-
Deferred tax assets not recognised during the financial year	5,781,956	248,005	-	-
Real property gain tax	21,000	-	21,000	-
Utilisation of deferred tax assets previously not recognised	(325,653)	(319)	-	-
Under provision in the previous financial year:-				
- income tax	151,188	134,352	-	67,180
- deferred tax	317,101	1,107,662	279,869	242,028
Others	(97,519)	734,721	-	-
Income tax expense for the financial year	(1,360,684)	(7,057,378)	1,624,712	250,597

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

28. LOSS PER SHARE

	The Group 2016 RM	The Group 2015 RM
Loss attributable to owners of the Company (RM)	(66,665,246)	(59,944,850)
Weighted average number of ordinary shares:-		
Issued ordinary shares at 1 January	1,418,487,551	1,308,504,944
Effect of conversion of ICPSs	623,234,792	733,217,399
Weighted average number of ordinary shares at 31 December	2,041,722,343	2,041,722,343
Basic loss per share (sen)	(3.27)	(2.94)

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

29. ACQUISITION OF A SUBSIDIARY

On 4 February 2016, the Company acquired 100% equity interests in Rakantama Sdn. Bhd.

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

	The Group 2016 At Date of Acquisition Carrying Amount RM	Fair Value Recognised RM
Other payables	(13,218)	(13,218)
Identifiable liabilities assumed	(13,218)	(13,218)
Add: Goodwill on acquisition (Note 11)		13,418
Total purchase consideration, to be settled by cash		200
Less: Cash and cash equivalents of subsidiaries acquired		-
Net cash inflows for the acquisition of subsidiaries		200

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. ACQUISITION OF A SUBSIDIARY (CONT'D)

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

	The Group 2016 RM
Revenue	128,605
Profit after taxation	133,983

There were no acquisitions of new subsidiaries for the previous financial year.

30. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cost of property, plant and equipment purchased (Note 7)	34,904,930	70,540,061	91,598	4,905,468
Less:-				
- amount financed through hire purchase	(8,205,990)	(7,077,314)	-	(346,000)
- interest expense included within property, plant and equipment (Note 7)	(2,516,616)	(1,435,906)	-	-
Cash disbursed for purchase of property, plant and equipment	24,182,324	62,026,841	91,598	4,559,468

31. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	1,612,358	4,381,875	39,682	30,845
Bank overdrafts	(13,078,560)	(10,100,877)	(1,334,655)	(2,256,755)
	(11,466,202)	(5,719,002)	(1,294,973)	(2,225,910)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors				
Directors of the Company				
Executive Directors				
Short-term employee benefits:-				
- fees	86,300	33,500	55,000	27,500
- salaries, bonuses and other benefits	816,742	2,648,056	152,000	2,648,056
	903,042	2,681,556	207,000	2,675,556
Defined contribution plan	44,160	157,000	-	157,000
Benefits-in-kind	19,538	30,036	-	30,036
	966,740	2,868,592	207,000	2,862,592
Non-executive Directors				
Short-term employee benefits:-				
- fees	399,200	309,200	301,000	211,000
- other benefits	249,000	6,800	9,000	6,800
	648,200	316,000	310,000	217,800
Defined contribution plan	9,000	-	-	-
Benefits-in-kind	23,950	5,987	-	5,987
Total directors' remuneration (Note 26)	1,647,890	3,190,579	517,000	3,086,379

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other Key Management Personnel				
Short-term employee benefits	5,217,554	4,475,951	-	2,492,329
Defined contribution plan	589,384	553,830	-	292,667
Total compensation for other key management personnel	5,806,938	5,029,781	-	2,784,996

(b) The number of the Company's directors with total remuneration falling in bands of RM50,000 are as follows:-

	The Group	
	2016 Number of Directors	2015
Executive Directors		
RM250,001 to RM300,000	-	1
RM350,001 to RM400,000	1	-
RM550,001 to RM600,000	1	-
RM1,200,001 to RM1,250,000	-	1
RM1,400,001 to RM1,450,000	-	1
Non-executive Directors		
RM50,000 and below	3	3
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	1	1
RM400,001 to RM450,000	1	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

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

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

(b) Significant Related Party Transactions and Balances

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Subsidiaries:-				
- dividend income	-	-	5,071,334	10,144,734
- interest expense	-	-	3,717,735	-
- interest income	-	-	14,723,267	2,938,319
- management fee	-	-	-	6,552,000
- rental received	-	-	-	6,000
- sale of property, plant and equipment	-	-	-	340,637
- store issues	-	-	125,078	-
Companies in which the directors and their close family members have substantial financial interests:-				
- biological asset – felling	72,374	-	-	-
- computer software, printing and stationery	95,652	194,815	75	93,720
- consultancy fee	-	476,453	-	-
- contract charges	1,626,924	12,164,656	-	-
- environmental testing charges	-	147,646	-	-
- fertiliser testing charges	12,269	260,309	-	-
- insurance paid	122,557	954,953	8,678	25,003
- interest paid	148,483	151,000	-	-
- management fee	1,821,978	5,197,500	-	-
- purchase of fertilisers and chemicals	1,535,835	819,442	-	-
- purchase of fresh fruit bunches	4,603,027	3,309,501	-	-
- purchase of property, plant and equipment	4,427,705	7,214,763	-	2,434,021

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

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

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

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Companies in which the directors and their close family members have substantial financial interests (cont'd):-				
- purchase of seedlings	-	416,520	-	-
- purchase of sundry stores and consumables	2,752,420	1,602,943	-	-
- recreational charges	-	24,002	-	780
- rental paid	1,526,900	1,640,440	842,800	842,900
- rental received	161,600	54,000	-	-
- repairs and maintenance	333,914	578,032	123,792	-
- road access charges	600	-	-	-
- sale of empty bunch ash	16,960	-	-	-
- sale of fertilisers and chemicals	-	30,550	-	-
- sale of fresh fruit bunches	71,969,312	56,451,449	-	-
- sale of property, plant and equipment	909,629	248,712	146,544	55,712
- sale of seedlings	63,420	11,100	-	-
- secretarial services	10,475	3,950	-	-
- staff training expenses	25,031	75,031	24,000	25,031
- staff welfare	-	544	-	-
- store issues	159,052	263,588	1,557	-
- transportation and accommodation charges	1,250,212	1,335,248	-	2,579
- upkeep and maintenance	3,496	-	-	-
- utilities charges	124,855	95,969	75,205	29,229
- vehicle running expenses	1,161	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. OPERATING SEGMENTS

(a) Business Segment and Geographical Information

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

(b) Major Customers

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

	Revenue	
	2016 RM	2015 RM
Customer #1	79,293,629	50,499,737
Customer #2	48,439,719	34,782,867
Customer #3	43,086,225	28,128,017
Customer #4	37,923,031	25,746,676
Customer #5	28,265,627	20,679,936

35. CAPITAL COMMITMENTS

	The Group	
	2016 RM	2015 RM
Property, plant and equipment:-		
- contracted but not provided for	24,358,342	24,244,824

36. CONTINGENT LIABILITIES

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

	The Company	
	2016 RM	2015 RM
Unsecured:-		
Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries	529,771,000	687,586,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL INSTRUMENTS

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

37.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk

(i) Foreign Currency Risk

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

(ii) Interest Rate Risk

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

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

Interest Rate Risk Sensitivity Analysis

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

	The Group		The Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Effects on Profit after Taxation				
Increase of 50 basis points	- 885,000	- 744,000	- 17,000	- 8,000
Decrease of 50 basis points	+ 885,000	+ 744,000	+17,000	+8,000
Effects on Equity				
Increase of 50 basis points	- 885,000	- 744,000	- 17,000	- 8,000
Decrease of 50 basis points	+ 885,000	+ 744,000	+17,000	+8,000

(iii) Equity Price Risk

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

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

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

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

(i) Credit risk concentration profile

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

(ii) Exposure to credit risk

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

(iii) Ageing analysis

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis (cont'd)

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

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
2015				
Not past due	9,006,147	-	-	9,006,147
Past due:-				
- less than 3 months	6,030	-	-	6,030
	9,012,177	-	-	9,012,177

The Group believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

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

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

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

Weighted Average Effective Rate

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

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

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

The Group	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM	More Than 5 Years RM
2015							
Trade and other payables	-	84,915,578	84,915,578	84,915,578	-	-	-
Borrowings:-							
- bank overdrafts	7.85	10,100,877	10,100,877	10,100,877	-	-	-
- bankers' acceptance	4.52	21,169,849	21,169,849	21,169,849	-	-	-
- hire purchase obligations	5.41	6,187,065	6,607,166	2,817,952	2,954,887	834,327	-
- revolving credit	5.16	138,991,000	138,991,000	138,991,000	-	-	-
- term loans	5.05	377,860,790	451,463,000	66,658,000	75,641,000	197,528,000	111,636,000
- unsecured loans	5.00	3,020,000	3,171,000	3,171,000	-	-	-
		642,245,159	716,418,470	327,824,256	78,595,887	198,362,327	111,636,000

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

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

The Company	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM
2016						
Trade and other payables	-	9,612,419	9,612,419	9,612,419	-	-
Amount owing to subsidiaries	4.83	264,903,313	264,903,313	264,903,313	-	-
Borrowings:-						
- bank overdrafts	7.13	1,334,655	1,334,655	1,334,655	-	-
- hire purchase obligations	5.40	170,560	177,356	125,196	52,160	-
- revolving credit	5.01	31,200,000	31,200,000	31,200,000	-	-
- term loan	7.15	4,418,775	5,191,000	1,198,000	1,198,000	2,795,000
		311,639,722	312,418,743	308,373,583	1,250,160	2,795,000

37. FINANCIAL INSTRUMENTS (CONT'D)

37.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

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

The Company	Weighted Average Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	Within 1 – 2 Years RM	Within 2 – 5 Years RM
2015						
Trade and other payables	-	11,208,756	11,208,756	11,208,756	-	-
Amount owing to subsidiaries	-	183,139,356	183,139,356	183,139,356	-	-
Borrowings:-						
- bank overdrafts	7.85	2,256,755	2,256,755	2,256,755	-	-
- hire purchase obligations	5.40	283,230	302,552	125,196	125,196	52,160
- revolving credit	5.15	58,000,000	58,000,000	58,000,000	-	-
		254,888,097	254,907,419	254,730,063	125,196	52,160

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL INSTRUMENTS (CONT'D)

37.2 CAPITAL RISK MANAGEMENT

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

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

	The Group 2016 RM	 2015 RM
Borrowings (Note 20):-		
- bank overdrafts	13,078,560	10,100,877
- other borrowings	572,126,816	547,228,704
	585,205,376	557,329,581
Less: Deposits with licensed banks (Note 12)	(102,381)	(102,381)
Less: Cash and bank balances	(1,612,358)	(4,381,875)
Net debts	583,490,637	552,845,325
Total equity	789,847,681	868,957,093
Debt-to-equity ratio	0.74	0.64

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity (total equity attributable to owners of the Company) more than 25% of the issued and paid-up share capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL INSTRUMENTS (CONT'D)

37.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial Assets				
Loans and receivables financial assets				
Trade receivables	20,304,990	9,012,177	-	-
Other receivables and deposits	11,537,360	22,338,776	467,863	12,671,923
Amount owing by subsidiaries	-	-	502,713,929	439,503,534
Deposits with licensed banks	102,381	102,381	-	-
Cash and bank balances	1,612,358	4,381,875	39,862	30,845
	33,557,089	35,835,209	503,221,654	452,206,302
Financial Liabilities				
Other financial liabilities				
Trade payables	60,736,943	49,523,455	-	-
Other payables, deposits and accruals	32,812,131	35,392,123	9,612,419	11,208,756
Amount owing to subsidiaries	-	-	264,903,313	183,139,356
Borrowings:-				
- bank overdrafts	13,078,560	10,100,877	1,334,655	2,256,755
- other borrowings	572,126,816	547,228,704	35,789,335	58,283,230
	678,754,450	642,245,159	311,639,722	254,888,097

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 FAIR VALUE INFORMATION

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

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

	Fair Value of Financial Instruments not Carried at Fair Value		Fair	Total Carrying	
	Level 1	Level 2	Level 3	Value	Amount
The Group	**RM**	**RM**	**RM**	**RM**	**RM**
2016					
Financial Liabilities					
Hire purchase obligations	-	8,671,000	-	8,671,000	9,244,512
2015					
Financial Liabilities					
Hire purchase obligations	-	6,180,000	-	6,180,000	6,187,065
The Company					
2016					
Financial Liabilities					
Hire purchase obligations	-	170,000	-	170,000	170,560
2015					
Financial Liabilities					
Hire purchase obligations	-	283,000	-	283,000	283,230

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. FINANCIAL INSTRUMENTS (CONT'D)

37.4 FAIR VALUE INFORMATION (CONT'D)

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

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

	The Group		The Company	
	2016 %	2015 %	2016 %	2015 %
Hire purchase obligations	5.44	5.42	5.40	5.40

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

38. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 3 January 2017, the Company acquired the entire issued and paid-up share capital of Topline Synergy Sdn Bhd ("TSSB") comprising 2 ordinary shares of RM1 each for a cash consideration of RM2. Subsequent to the acquisition, TSSB became a 100%-owned subsidiary of the Company. TSSB is currently a dormant company and its intended principal business activity is general trading and services.

(b) On 17 January 2017, the Company acquired the entire issued and paid-up share capital of RSB Lundu Palm Oil Mill Sdn Bhd ("RSBLPOM") comprising 2 ordinary shares of RM1 each for a cash consideration of RM2. Subsequent to the acquisition, RSBLPOM became a 100%-owned subsidiary of the Company. RSBLPOM is currently a dormant company and its intended principal business activity is operation of palm oil mill.

(c) On 22 February 2017,

(i) the Company entered into a conditional agreement with Tiasa Mesra Sdn Bhd to dispose of all the rights, titles and interests in relation to a plantation estate via an absolute agreement, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto for a purchase consideration of RM150.0 million to be satisfied in cash.

(ii) RSBLPOM, a subsidiary of the Company, entered into a conditional sale and purchase agreement with R H Lundu Palm Oil Mill Sdn Bhd to acquire a parcel of land together with a palm oil mill (including workers' quarters) erected thereon and plant and machinery used for the operation of the mill for a purchase consideration of RM33.7 million to be satisfied in cash.

(iii) the Company entered into a conditional share sale agreement with Pertumbuhan Abadi Asia Sdn Bhd, Teck Sing Lik Enterprise Sdn Bhd and Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King to acquire 100,000 ordinary shares of RM1 each in Sastat Holdings Sdn Bhd ("SHSB") for a purchase consideration of RM17.0 million to be satisfied in cash. This represents 100% of the total issued and paid-up share capital of SHSB and upon completion of the acquisition, SHSB shall become a 100%-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. SUPPLEMENTARY INFORMATION – DISCLOSURE OF REALISED AND UNREALISED PROFITS/LOSSES

The breakdown of the retained profits of the Group and of the Company at the end of the reporting period into realised and unrealised profits/(losses) are presented in accordance with the directive issued by Bursa Malaysia Securities Berhad and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits of the Company and its subsidiaries:-				
- realised	63,961,938	126,345,321	33,406,391	38,415,579
- unrealised	(48,346,208)	(50,223,360)	(719,275)	(777,367)
	15,615,730	76,121,961	32,687,116	37,638,212
Total share of retained profits of associate:-				
- realised	(984,478)	(984,478)	-	-
- unrealised	(638,036)	(638,036)	-	-
	13,993,216	74,499,447	32,687,116	37,638,212
Less: Consolidation adjustments	(20,356,226)	(14,197,211)	-	-
At 31 December	(6,363,010)	60,302,236	32,687,116	37,638,212

ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"):

1. Utilisation of proceeds raised from any corporate proposal

During the financial year ended 31 December 2016, there were no proceeds raised from any corporate proposal.

2. Material contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

3. Recurrent related party transactions of a revenue or trading nature ("RRPT")

A breakdown of the aggregate value of the RRPT conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1)(a) of the Listing Requirements, are set out below:

Name of Related Party(ies)	Type of RRPT	Relationship with RSB Group	Actual Value as at 31 December 2016 (RM)
R H Selangau Palm Oil Mill Sdn Bhd	Sales of Fresh Fruit Bunches	Note (A)	41,840,606
R H Lundu Palm Oil Mill Sdn Bhd	Sales of Fresh Fruit Bunches	Note (B)	37,198,501
Pelita Melor Sdn Bhd	Purchase of Fresh Fruit Bunches	Note (A)	4,603,027
Rimbunan Hijau General Trading Sdn Bhd	Purchase of spare parts and POL	Note (C)	2,819,159
Helitech Aviation Services Sdn Bhd	Management fee paid	Note (D)	1,820,000
Rejang Green Agriculture Supplies Sdn Bhd	Purchase of fertiliser, chemicals, tools and consumable	Note (A)	1,530,465
Cityvine Development Sdn Bhd	Development and construction contract charges	Note (E)	1,372,208
Inter-Link Transport Sdn Bhd	Transportation charges	Note (F)	1,210,278
Rimbunan Hijau Auto Services Sdn Bhd	Purchase of motor vehicle	Note (G)	853,160
R H Balingian Palm Oil Mill Sdn Bhd	Sales of Fresh Fruit Bunches	Note (H)	300,491
Sinar Tiasa Sdn Bhd	Maintenance, development contract and management charges	Note (I)	251,750

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Notes:

(A) Connected with Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King ("Tan Sri Tiong"), Tiong Toh Siong Holdings Sdn Bhd ("TTSH"), Teck Sing Lik Enterprise Sdn Bhd ("TSL"), Datuk Tiong Thai King, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(B) Connected with Tan Sri Tiong, TTSH, TSL, Tiong Toh Siong Enterprises Sdn Bhd ("TTSE"), Datuk Tiong Thai King, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(C) Connected with Tan Sri Tiong, TSL, Rimbunan Hijau Southeast Asia Sdn Bhd, Pertumbuhan Abadi Asia Sdn Bhd ("PAA"), Datuk Tiong Thai King, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(D) Connected with Dato' Mohamad Arif Stephen bin Abdullah.

(E) Connected with Tiong Chiong Ong.

(F) Connected with Tan Sri Tiong, TTSH, TSL, TTSE, PAA, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(G) Connected with Tan Sri Tiong, TSL, TTSE, Datuk Tiong Thai King, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(H) Connected with Tan Sri Tiong, TTSH, PAA, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

(I) Connected with Tan Sri Tiong, TSL, Datuk Tiong Thai King, Tiong Kiong King, Tiong Chiong Ie and Tiong Chiong Ong.

4. Disclosure of realised and unrealised profits or losses

The breakdown of the realised and unrealised profits as at 31 December 2016 are disclosed in Note 39 to the Audited Financial Statements included in this Annual Report.

LIST OF PROPERTIES OWNED BY THE GROUP

Location	Tenure	Year Lease Expiring	Approximate Area (Hectares)	Description	Year of Acquisition	Net Book Value* (RM'000)
NCR Land Located Ulu Teru Land, Miri Division, Sarawak^	JVA Commecing on 2003	-	7,900 Ha	Oil Palm Estate	-	104,486
Lot 11, Buloh Land District Lot 12, Buloh Land District	Provisional Leasehold	2059 2060	4,625 Ha	Oil Palm Estate	1999 2000	90,737
Lot 4 & 6 , Block 9, Dulit Land District, Miri Division, Sarawak	Provisional Leasehold	2059	4,959.80 Ha	Oil Palm Estate	1999	82,296
Lot 56, Sawai Land District	Provisional Leasehold	2054	4,857 Ha	Oil Palm Estate	1994	76,685
Lot 2, Block 11, Teraja Land District	Provisional Leasehold	2061	4,698.20 Ha	Oil Palm Estate	2001	68,559
Lot 13, Buloh Land District	Provisional Leasehold	2060	4,100 Ha	Oil Palm Estate	2000	58,566
Lot 1 Blk 7,Sawai Land District Lot 64, Sawai Land District Lot 93 Sawai Land District	Leasehold Provisional Leasehold Provisional Leasehold	2058 2087 2059	7,490.80 Ha	Oil Palm Estate	1998 1988 1999	57,936
Lot 197, Teraja Land District & Lot 1200. Puyut Land District	Provisional Leasehold	2067	5,000 Ha	Oil Palm Estate	2007	46,864
NCR Land Located Long Ekang and Long Banyok, Miri Division@	JVA Commecing on 2005	-	3,367 Ha	Oil Palm Estate	-	42,034
NCR Land at Selangau, Mukah, Sibu Division^	JVA Commecing on 2001	-	5,000 Ha	Oil Palm Estate	-	40,495

** Net Book Value include Land, Plantation Development Expenditure and Infrastructure.*
^ The Lease Term for JVA land is 60 years subject to finalisation of respective land title.
@ The Lease Term for JVA is subject to finalisation of land title.

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2017

Share Capital

Issued share capital	: RM791,682,240 divided into 1,418,487,551 ordinary shares and 164,876,929 irredeemable convertible preference shares ("ICPS")
Class of shares	: (1) Ordinary shares (2) Irredeemable convertible preference shares
Voting rights	: One (1) vote per ordinary share

Distribution Schedule of Ordinary Shares

No. of Holders	Holdings	Total Holdings	%
113	Less than 100 shares	3,647	0.00*
387	100 to 1,000 shares	300,972	0.02
5,077	1,001 to 10,000 shares	31,444,458	2.22
4,098	10,001 to 100,000 shares	138,884,748	9.79
600	100,001 - less than 5% of issued shares	720,005,854	50.76
5	5% and above of issued shares	527,847,872	37.21
10,280		1,418,487,551	100.00

Note:
** less than 0.01%*

Distribution Schedule of ICPS

No. of Holders	Holdings	Total Holdings	%
0	Less than 100 shares	0	0.00
0	100 to 1,000 shares	0	0.00
0	1,001 to 10,000 shares	0	0.00
0	10,001 to 100,000 shares	0	0.00
2	100,001 - less than 5% of issued shares	3,612,720	40.00
3	5% and above of issued shares	161,264,209	60.00
5		164,876,929	100.00

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 29 MARCH 2017

Substantial Shareholders

The substantial shareholders' interests in ordinary shares in the Company as per the Register of Substantial Shareholders as at 29 March 2017 are as follows:

Name	No. of shares held (Direct)	%	No. of shares held (Indirect)	%
1. Tiong Toh Siong Holdings Sdn Bhd	237,246,119	16.73	200,192,375 [a]	14.11
2. Rimbunan Hijau Southeast Asia Sdn Bhd	100,584,800	7.09	-	-
3. Pertumbuhan Abadi Asia Sdn Bhd	87,228,800	6.15	119,271,200 [b]	8.41
4. Teck Sing Lik Enterprise Sdn Bhd	95,279,347	6.72	10,402,400 [c]	0.73
5. Tiong Toh Siong Enterprises Sdn Bhd	10,402,400	0.73	113,086,638 [d]	7.97
6. State Financial Secretary	76,034,272	5.36	-	-
7. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	2,400,000	0.17	759,122,079 [e]	53.52
8. Multi Greenview Sdn Bhd	140,000,000	9.87	-	-
9. Jaya Tiasa Holdings Berhad	-	-	140,000,000 [f]	9.87

Notes: -

a. *Deemed interested by virtue of its interest in Pemandangan Jauh Plantation Sdn Bhd, Ladang Hijau (Sarawak) Sdn Bhd, Subur Tiasa Holdings Berhad and Multi Greenview Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

b. *Deemed interested by virtue of its interests in Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd and Kendaie Oil Palm Plantation Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

c. *Deemed interested by virtue of its interest in Tiong Toh Siong Enterprises Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

d. *Deemed interested by virtue of its interests in Rimbunan Hijau Southeast Asia Sdn Bhd, Kendaie Oil Palm Plantation Sdn Bhd and Rejang Height Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

e. *Deemed interested by virtue of his interests in Tiong Toh Siong Holdings Sdn Bhd, Teck Sing Lik Enterprise Sdn Bhd, Tiong Toh Siong Enterprises Sdn Bhd, Pertumbuhan Abadi Asia Sdn Bhd, Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd, Kendaie Oil Palm Plantation Sdn Bhd, Pemandangan Jauh Plantation Sdn Bhd, Ladang Hijau (Sarawak) Sdn Bhd, Rejang Height Sdn Bhd, Subur Tiasa Holdings Berhad and Multi Greenview Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

f. *Deemed interested by virtue of its interest in Multi Greenview Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 29 MARCH 2017

Directors' Interests

The Directors' interests in ordinary shares in the Company as per the Register of Directors' Shareholdings as at 29 March 2017 are as follows:

Name	No. of shares held (Direct)	%	No. of shares held (Indirect)	%
1. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	2,400,000	0.17	775,118,279 (a)	54.64
2. Tiong Kiong King	23,803,800	1.18	6,218,400 (b)	0.44
3. Tiong Chiong Ong	7,031,608	0.50	329,214 (c)	0.02
4. Tiong Chiong Ie	1,600,000	0.11	3,872,000 (d)	0.27
5. Bong Wei Leong	-	-	-	-
6. Tiong Ing Ming	200,000	0.01	-	-
7. Dato' Jin Kee Mou	16,000	0.00**	-	-

*** less than 0.01%*

Notes: -

a. *Deemed interested by virtue of his interests in Tiong Toh Siong Holdings Sdn Bhd, Teck Sing Lik Enterprise Sdn Bhd, Tiong Toh Siong Enterprises Sdn Bhd, Pertumbuhan Abadi Asia Sdn Bhd, Rimbunan Hijau Southeast Asia Sdn Bhd, Rimbunan Hijau (Sarawak) Sdn Bhd, Kendaie Oil Palm Plantation Sdn Bhd, Pemandangan Jauh Plantation Sdn Bhd, Ladang Hijau (Sarawak) Sdn Bhd, Rejang Height Sdn Bhd, Multi Greenview Sdn Bhd and Subur Tiasa Holdings Berhad pursuant to Section 8 of the Companies Act, 2016, and the interests of his spouse and children in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016.*

b. *Deemed interested by virtue of his interest in Biru-Hijau Enterprise Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

c. *Deemed interested by virtue of the interest of his spouse and children in the Company pursuant to Section 59(11)(c) of the Companies Act, 2016.*

d. *Deemed interested by virtue of his interest in Priharta Development Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

The Directors' interests in Irredeemable Convertible Preference Shares in the Company as per the Register of Directors' Shareholdings as at 29 March 2017 are as follows:

Name	No. of shares held (Direct)	%	No. of shares held (Indirect)	%
1. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	-	-	164,876,929*	8.86

* *Deemed interested by virtue of his interests in Pemandangan Jauh Plantation Sdn Bhd, Tiong Toh Siong Holdings Sdn Bhd, Teck Sing Lik Enterprise Sdn Bhd, Ladang Hijau Sdn Bhd and Rejang Height Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

By virtue of his interests in the Company, Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King is also deemed to have interests in shares in the related corporations of the Company to the extent the Company has an interest, pursuant to Section 8 of the Companies Act, 2016.

The other Directors have no interests in shares of the related corporations of the Company.

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 29 MARCH 2017

Thirty Largest Securities Account Holders

	Name	No. of Ordinary Shares	%
1	Multi Greenview Sdn Bhd	140,000,000	9.87
2	EB Nominees (Tempatan) Sendirian Berhad Pledged securities account for Tiong Toh Siong Holdings Sdn Bhd (Upper Lanang)	124,000,000	8.74
3	Rimbunan Hijau Southeast Asia Sdn Bhd	100,584,800	7.09
4	Pertumbuhan Abadi Asia Sdn Bhd	87,228,800	6.15
5	State Financial Secretary Sarawak	76,034,272	5.36
6	Tiong Toh Siong Holdings Sdn Bhd	66,246,119	4.67
7	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Teck Sing Lik Enterprise Sdn Bhd (OCESB)	60,500,000	4.27
8	Pertumbuhan Abadi Enterprises Sdn Bhd	58,240,600	4.11
9	Subur Tiasa Holdings Berhad	51,919,000	3.66
10	Teck Sing Lik Enterprise Sdn Bhd	34,779,347	2.45
11	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad pledged securities account for Tiong Toh Siong Holdings Sdn Bhd	30,000,000	2.11
12	Suria Kilat Sdn Bhd	26,958,600	1.90
13	Maybank Nominees (Tempatan) Sdn Bhd Pledged securities account for Tiong Kiong King	23,803,800	1.68
14	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Nustinas Sdn Bhd (MQ0516)	23,652,100	1.67
15	Asanas Sdn Bhd	20,000,000	1.41
16	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged securities account for Insan Anggun Sdn Bhd	20,000,000	1.41
17	Makmur Tiasa Sdn Bhd	17,654,400	1.24
18	Malaysia Nominees (Tempatan) Sendirian Berhad OCBC Labuan for Tiong Toh Siong Holdings Sdn Bhd (00-33029-010)	17,000,000	1.20
19	Rimbunan Hijau (Sarawak) Sdn Bhd	15,686,400	1.11
20	Tiong Toh Siong Enterprises Sdn Bhd	10,402,400	0.73
21	Rejang Height Sdn Bhd	9,501,838	0.67
22	TC Blessed Holdings Sdn Bhd	7,214,400	0.51
23	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	6,810,000	0.48
24	Maybank Nominees (Tempatan) Sdn Bhd Biru-Hijau Enterprise Sdn Bhd	6,218,400	0.44
25	Ladang Hijau (Sarawak) Sdn Bhd	5,557,919	0.39
26	Tiong Chiong Ong	5,037,208	0.36
27	Priharta Development Sdn Bhd	3,872,000	0.27
28	HLB Nominees (Tempatan) Sdn Bhd Pledged securities account for Oh Kim Sun	3,730,000	0.26
29	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets small Cap Series	3,652,200	0.26
30	Rasma Holdings Sdn Bhd	3,097,000	0.22

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Rimbunan Sawit Berhad ("RSB" or "the Company") will be held at Level 2, North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak on Friday, 26 May 2017 at 12.00 noon to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. **Refer to Note 1**

2. To approve the payment of Directors' fees for the financial year ended 31 December 2016. **Resolution 1**

3. To approve the payment of Directors' remuneration (excluding Directors' fees) from 1 January 2017 until the next Annual General Meeting ("AGM") of the Company. **Resolution 2**

4. To re-elect the following Directors who retire pursuant to Article 81 of the Company's Articles of Association and being eligible, offer themselves for re-election:

   i. Mr. Bong Wei Leong **Resolution 3**
   ii. Mr. Tiong Chiong Ong **Resolution 4**

5. To re-appoint Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King as Director of the Company. **Resolution 5**

6. To re-appoint Messrs. Crowe Horwath as auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

As special business

7. To consider and, if thought fit, pass the following ordinary resolution:

   Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 **Resolution 7**

   "THAT subject to the passing of Ordinary Resolution No. 3, approval be and is hereby given to Mr. Bong Wei Leong who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company."

8. To consider and, if thought fit, pass the following ordinary resolution:

   Continuation in office as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 **Resolution 8**

   "THAT approval be and is hereby given to Mr. Tiong Ing Ming who has served as an Independent Non-Executive Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. To consider and, if thought fit, pass the following ordinary resolution:

Proposed renewal of shareholder mandates for recurrent related party transactions of a revenue or trading nature ("Shareholder Mandate") **Resolution 9**

"THAT approval be and is hereby given to the Company and its subsidiaries ("RSB Group") to enter into any of the category of related party transactions which are recurrent, of a revenue or trading nature and are necessary for day-to-day operations of RSB Group as outlined in point 3(b) of the Circular to Shareholders dated 28 April 2017 ("Circular"), with the specific related parties mentioned therein subject further to the following:

(a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders; and

(b) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:

- the type of the recurrent related party transactions made; and

- the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

AND THAT such approval will continue to be in force until:

(a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("CA 2016") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the CA 2016]; or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholder Mandate."

10. To transact any other business of which, due notice shall have been given in accordance with the CA 2016 and the Company's Articles of Association.

By Order of the Board of Directors
Toh Ka Soon (MAICSA 7031153)
Voon Jan Moi (MAICSA 7021367)
Joint Company Secretaries

Dated: 28 April 2017
Sibu, Sarawak

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes :

1. This agenda item is meant for discussion only and hence it is not put forward for voting.
2. A proxy may but need not be a member of the Company.
3. A member of the Company entitled to attend and vote at this Annual General Meeting shall not be entitled to appoint more than two (2) proxies to exercise all or any of his rights to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. If the appointor is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. A depositor whose name appears in the Record of Depositors as at 19 May 2017 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.

Explanatory Note on Special Business:

1. **Ordinary resolution in relation to re-appointment of Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King as Director of the Company.**

   With the coming into force the CA 2016 on 31 January 2017, there is no age limit for directors.

   At the 11th AGM of the Company held on 30 May 2016, Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, who is above the age of 70, were re-appointed pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the 12th AGM. His term of office will end at the conclusion of the 12th AGM and he has offered himself for re-appointment.

   The proposed resolution No. 5, if passed, will enable Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King to continue to act as Director of the Company and he shall then be eligible for re-election pursuant to Article 81 of the Company's Articles of Association.

   The Nomination Committee and the Board of Directors have assessed the criteria and contribution of Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King and recommended him to continue to act as Director of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

2. Ordinary resolutions in relation to continuation in office as Independent Non-Executive Directors pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 (proposed resolutions nos. 7 and 8)

The Nomination Committee and the Board of Directors have assessed the independence of Mr. Bong Wei Leong and Mr. Tiong Ing Ming who have served as Independent Non-Executive Directors of the Company for a consecutive term of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

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

3. Ordinary resolution on Shareholder Mandate for recurrent related party transactions

Paragraph 10.09 of the Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.

The proposed resolution No. 9, if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in point 3(b) of the Circular, which are necessary for day-to-day operations of the RSB Group, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of the RSB Group or adversely affecting the business opportunities available to the RSB Group.

Please refer to the Circular for further information.

Rimbunan Sawit

RIMBUNAN SAWIT BERHAD

(Company No. 691393-U)
(Incorporated in Malaysia)

FORM OF PROXY

Number of shares held by Proxy 1	
Number of shares held by Proxy 2	

*I/We ____

(*NRIC/Company No. ______________________) of ____

____ (full address) being a *member/members of

Rimbunan Sawit Berhad hereby appoint ____

(NRIC No. ______________________) of ____

(full address) or failing *him/her, ______________________________________ (NRIC No. ______________________) of

____ (full address)

or Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twelfth Annual General Meeting of the Company to be held on Friday, 26 May 2017 at 12.00 noon and, at any adjournment thereof for/against the resolution(s) to be proposed thereat.

Resolutions	For	Against
1. To approve the payment of Directors' fees for the financial year ended 31 December 2016.		
2. To approve the payment of Directors' remuneration (excluding Directors' fees).		
3. To re-elect Mr. Bong Wei Leong as director.		
4. To re-elect Mr. Tiong Chiong Ong as director.		
5. To re-appoint Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King.		
6. To re-appoint Messrs. Crowe Horwath as auditors for the ensuing year.		
7. To retain Mr. Bong Wei Leong as an Independent Non-Executive Director.		
8. To retain Mr. Tiong Ing Ming as an Independent Non-Executive Director.		
9. To approve the proposed renewal of shareholder mandates for recurrent related party transactions of a revenue or trading nature.		

[Please indicate with a (X) in the space above how you wish your vote to be cast. If no specific direction as to voting is indicated, the proxy will vote or abstain as he/she thinks fit.]

* Strike out whichever is not desired.

Dated this __________ day of ___________________ 2017

____
Signature / common seal of shareholder(s)

Notes:

1. A proxy may but need not be a member of the Company.
2. A member of the Company entitled to attend and vote at this Annual General Meeting shall not be entitled to appoint more than two (2) proxies to exercise all or any of his rights to attend, participate, speak and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at North Wing, Menara Rimbunan Hijau, 101, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. If the appointor is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. A depositor whose name appears in the Record of Depositors as at 19 May 2017 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.

Please affix
stamp here

The Company Secretary
Rimbunan Sawit Berhad (691393-U)

North Wing, Menara Rimbunan Hijau,
101, Pusat Suria Permata,
Jalan Upper Lanang,
96000 Sibu, Sarawak.

Rimbunan Sawit Berhad (691393-U)
North Wing, Menara Rimbunan Hijau,
101, Pusat Suria Permata,
Jalan Upper Lanang, 96000 Sibu, Sarawak.
Tel. No. : 084-218 555
Fax No. : 084-219 555
E-mail address : rsb@rsb.com.my