

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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**Independent auditors' report to the members of Sarawak Oil Palms Berhad - 7949-M (Incorporated in Malaysia)****Report on the financial statements**

We have audited the financial statements of Sarawak Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 118.

Directors' responsibility for the financial statements

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

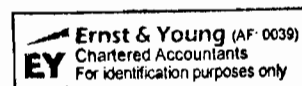
Auditors' responsibility

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**Independent auditors' report to the members of Sarawak Oil Palms Berhad - 7949-M (Continued) (Incorporated in Malaysia)**

Opinion

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

Report on other legal and regulatory requirements

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**Independent auditors' report to the members of Sarawak Oil Palms Berhad - 7949-M (Continued)
(Incorporated in Malaysia)****Other reporting responsibilities**

The supplementary information set out in Note 48 on page 119 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Miri, Malaysia
27 April 2016

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

2015 Group	Equity, total RM'000	Note	Equity attributable to owners of the Company, total		Attributable to Equity Holders of the Company		Non-distributable		Distributable	
			Equity, total RM'000	Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Non- controlling interests RM'000	
Opening balance at 1 January 2015	1,428,906		1,330,724	439,498	14,656	5,206	(130)	871,494	98,182	
Total comprehensive income	93,646		90,195	-	-	-	1,743	88,452	3,451	
Transactions with owners										
Dividend paid to non-controlling interests	(5,549)		-	-	-	-	-	-	(5,549)	
Dividends on ordinary shares	(21,997)	44	(21,997)	-	-	-	-	(21,997)	-	
Issuance of ordinary shares:										
Pursuant to exercise of ESOS	2,609		2,609	1,809	800	-	-	-	-	
Share option granted under ESOS:										
Recognised in profit or loss	2,253		2,253	-	-	2,253	-	-	-	
Exercise of ESOS	-		-	-	1,268	(1,268)	-	-	-	
Closing balance at 31 December 2015	1,499,868		1,403,784	441,307	16,724	6,191	1,613	937,949	96,084	

APPENDIX VI

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2014 Group	Note	Attributable to Equity Holders of the Company											
		Equity, total	Equity, Company, total	Share capital	Share premium	Employee share option reserve	Other reserves	Retained earnings	Non- controlling interests	Equity attributable to owners of the Company,	Distributable		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2014		1,326,188	1,231,619	438,253	11,423	4,271	(376)	778,048	94,569				
Total comprehensive income		123,645	115,655	-	-	-	246	115,409	7,990				
Transactions with owners													
Dividend paid to non-controlling interests		(4,340)	-	-	-	-	-	-	-	-	-	-	(4,340)
Dividends on ordinary shares	44	(21,963)	(21,963)	-	-	-	-	(21,963)	-	-	-	-	-
Disposal of a subsidiary		(37)	-	-	-	-	-	-	-	-	-	-	(37)
Issuance of ordinary shares:													
Pursuant to exercise of ESOS		3,182	3,182	1,245	1,937	-	-	-	-	-	-	-	-
Share option granted under ESOS:													
Recognised in profit or loss		2,231	2,231	-	-	2,231	-	-	-	-	-	-	-
Exercise of ESOS		-	-	-	1,296	(1,296)	-	-	-	-	-	-	-
Closing balance at 31 December 2014		1,428,906	1,330,724	439,498	14,656	5,206	(130)	871,494	98,182				

APPENDIX VI

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating activities					
Profit before tax		123,762	160,136	124,782	151,808
<u>Adjustments for:</u>					
Amortisation of land use rights	18	79	60	-	-
Amortisation of plantation development expenditure	16	29,742	27,670	3,867	3,576
Depreciation of property, plant and equipment	15	78,299	66,315	37,861	33,167
Dividend income	6	-	-	(24,650)	(16,830)
Share options granted under ESOS	33	2,253	2,231	1,297	1,302
Fair value changes on derivative financial instruments		(6,582)	8,182	69	-
Gain on disposal of property, plant and equipment	7	(552)	(1,085)	(267)	(708)
Gain on disposal of a subsidiary	7	-	(1)	-	-
Finance income	8	(13,269)	(14,129)	(24,513)	(21,477)
Interest expense	9	39,274	36,230	7,037	7,225
Inventories written off	10	-	20	-	-
Loss on disposal of property, plant and equipment	10	178	52	-	-
Unrealised loss/(gain) on foreign exchange		1,053	(2,285)	(554)	(149)
Property, plant and equipment written off	10	344	86	336	24
Share of results of an associate		(528)	1,311	-	-
Total adjustments		130,291	124,657	483	6,130
Operating cash flows before changes in working capital		254,053	284,793	125,265	157,938

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Changes in working capital					
(Increase)/Decrease in inventories		(56,192)	(64,818)	(35,972)	5,000
Increase in property development costs		(13,830)	(17,187)	-	-
Increase in trade and other receivables		(215,011)	(68,939)	(6,813)	(5,198)
(Increase)/Decrease in other current assets		(3,009)	(844)	(108)	82
Increase/(Decrease) in trade and other payables		27,959	35,603	18,630	(10,008)
Net movement in subsidiaries balances		-	-	(52,122)	(114,974)
Total changes in working capital		(260,083)	(116,185)	(76,385)	(125,098)
Cash flows (used in)/from operations		(6,030)	168,608	48,880	32,840
Interest received		2,765	2,891	-	-
Interest paid		(31,177)	(29,198)	-	-
Income tax paid		(60,829)	(65,106)	(31,000)	(34,000)
Income tax refunded		4,478	12,441	-	12,440
Net cash flows (used in)/from operating activities		(90,793)	89,636	17,880	11,280
Investing activities					
Dividend received		-	-	24,650	16,830
Interest received		10,504	11,238	24,513	21,477
Purchase of property, plant and equipment		(99,045)	(144,775)	(9,151)	(24,196)
Increase in plantation development expenditures		(9,849)	(17,574)	(5,663)	(4,565)
Increase in land held for property development		-	(1)	-	-
Additions to land use rights		(368)	(334)	-	-
Proceeds from disposal of property, plant and equipment		2,184	2,258	1,677	1,611
Acquisition of additional shares in investment in subsidiaries		-	-	(6,755)	(700)
Acquisition of preference shares in a subsidiary		-	-	(45,000)	-
Acquisition of additional shares in an associate		(1,350)	-	(1,350)	-
Cash outflow on disposal of a subsidiary	19	-	(49)	-	-
Net cash flows (used in)/from investing activities		(97,924)	(149,237)	(17,079)	10,457

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financing activities					
Net movement in trade financing		196,125	102,554	15,127	-
Repayment of loans and borrowings		(165,188)	(134,500)	(87,221)	(58,117)
Repayment of obligations under finance leases		(11,395)	(13,243)	(5,595)	(6,443)
Proceeds from exercise of ESOS		2,609	3,182	2,609	3,182
Proceeds from loans and borrowings		138,615	138,556	83,000	42,296
Proceeds from obligations under finance leases		167	-	-	-
Proceeds from government grant		12,565	-	-	-
Dividend paid		(21,997)	(21,963)	(21,997)	(21,963)
Dividend paid to non-controlling interests		(5,549)	(4,340)	-	-
Interest paid		(11,176)	(10,647)	(7,037)	(7,225)
Net cash flows from/(used in) financing activities		<u>134,776</u>	<u>59,599</u>	<u>(21,114)</u>	<u>(48,270)</u>
Net decrease in cash and cash equivalents		(53,941)	(2)	(20,313)	(26,533)
Cash and cash equivalents at 1 January		487,929	482,671	125,137	151,521
Effect of exchange rate changes on cash and cash equivalents		<u>3,248</u>	<u>5,260</u>	<u>554</u>	<u>149</u>
Cash and cash equivalents at 31 December	27	<u><u>437,236</u></u>	<u><u>487,929</u></u>	<u><u>105,378</u></u>	<u><u>125,137</u></u>

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****1. Corporate information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.

The principal activities of the Company are investment holding, cultivation of oil palms and operations of palm oil mills. The principal activities of the subsidiaries are set out in Note 19 to the financial statements.

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

2. Summary of significant accounting policies**2.1 Basis of preparation**

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

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

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

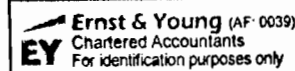
2.2 Changes in accounting policies

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

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

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

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

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

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

(b) Annual Improvements to FRSs 2010–2012 Cycle

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

(i) FRS 2 Share-based Payment

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

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

(ii) FRS 3 Business Combinations

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

(iii) FRS 8 Operating Segments

The amendments are to be applied retrospectively and clarify that:

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

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

(v) FRS 124 Related Party Disclosures

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

(c) Annual Improvements to FRSs 2011–2013 Cycle

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

(i) FRS 3 Business Combinations

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

(ii) FRS 13 Fair Value Measurement

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

(iii) FRS 140 Investment Property

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective

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

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

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

The amendments clarify that:

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

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

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

(e) Amendments to FRS 101: Disclosure Initiatives

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

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

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

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

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

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

(g) FRS 14 Regulatory Deferral Accounts

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

(h) Annual Improvements to FRSs 2012–2014 Cycle

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

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

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

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

(ii) FRS 7 Financial Instruments: Disclosures

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

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

(iii) FRS 119 Employee Benefits

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

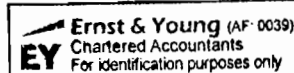
(iv) FRS 134 Interim Financial Reporting

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.3 Standards issued but not yet effective (Continued)****Malaysian Financial Reporting Standards (“MFRS Framework”)**

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

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

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

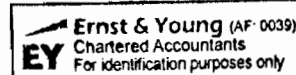
The Group and the Company fall within the definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the year ending 31 December 2018. In presenting their first MFRS financial statements,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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Standards issued but not yet effective (Continued)

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

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

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

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

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

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

(b) MFRS 15: Revenue from Contracts with Customers

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.3 Standards issued but not yet effective (Continued)****Malaysian Financial Reporting Standards (“MFRS Framework”) (Continued)****(b) MFRS 15: Revenue from Contracts with Customers (Continued)**

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

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

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

(c) MFRS 9 Financial Instruments

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.4 Basis of consolidation**

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.4 Basis of consolidation (Continued)**

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

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

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

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

Business combinations

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.4 Basis of consolidation (Continued)

Business combinations (Continued)

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

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

(a) Functional and presentation currency

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.6 Foreign currency (Continued)****(b) Foreign currency transactions**

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

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

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

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment

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

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

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

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

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.8 Plantation development expenditure**

New planting expenditure incurred on land clearing, upkeep of immature oil palms and interest incurred during the pre-maturity period (pre-cropping costs) is capitalised under plantation development expenditure. Upon maturity, all subsequent maintenance expenditure is charged to revenue and the capitalised pre-cropping cost is amortised on a straight line basis over 25 years, the expected useful life of oil palms.

All replanting expenditure is also capitalised in plantation development expenditure and amortised on the above-mentioned basis.

2.9 Intangible assets**Goodwill**

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

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

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

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

2.10 Land use rights

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.11 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

2.12 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.13 Investments in associates**

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

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

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

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

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

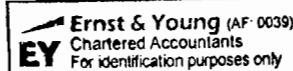
The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.14 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable to be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.16 Inventories****(a) Inventories of refined palm oil products and futures contracts**

Inventories of refined palm oil products are valued at the lower of cost and spot prices prevailing at the date of the statement of financial position.

Cost of refined palm oil products includes cost of raw materials of crude palm oil and palm kernel, direct labour and an appropriate proportion of fixed and variable production overheads.

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

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

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

(b) Other processed inventories

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

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

(c) Other inventories

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.17 Financial assets**

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

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

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

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

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

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

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

(b) Loans and receivables

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.17 Financial assets (Continued)

(b) Loans and receivables (Continued)

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

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

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

2.18 Impairment of financial assets

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.18 Impairment of financial assets (Continued)

Trade and other receivables and other financial assets carried at amortised cost (Continued)

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

2.19 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

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

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

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

(b) Other financial liabilities

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.19 Financial liabilities (Continued)

(b) Other financial liabilities (Continued)

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

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

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

2.20 Financial guarantee contracts

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

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

2.21 Borrowing costs

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.22 Employee benefits****(a) Defined contribution plans**

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

(b) Employee share option plans

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

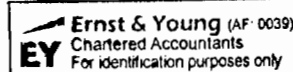
No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or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

2.23 Leases**As lessee**

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.23 Leases (Continued)****As lessee (Continued)**

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

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

2.24 Revenue

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

(a) Sale of goods

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

(b) Rendering of services

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

(c) Sale of properties

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

2.25 Income taxes**(a) Current tax**

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

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.25 Income taxes (Continued)

(b) Deferred tax

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

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.25 Income taxes (Continued)

(b) Deferred tax (Continued)

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

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

(c) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

2.26 Share capital and share issuance expenses

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

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

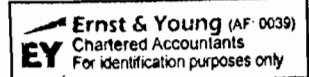
2.27 Contingencies

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.28 Derivative financial instruments and hedge accounting**

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

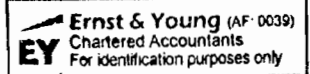
Any gains or losses arising from changes in fair value on derivatives during the year that did not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the income statement.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. Crude palm oil futures are valued at the end of the reporting period against quoted market prices. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

The Group uses derivatives to manage its exposure to interest rate risk by interest rate swaps. The Group applies hedge accounting for this hedging relationship which qualifies for hedge accounting.

For the purpose of hedge accounting, hedging relationship is classified as cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M****NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****2. Summary of significant accounting policies (Continued)****2.28 Derivative financial instruments and hedge accounting (Continued)**

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

Cash flow hedges

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

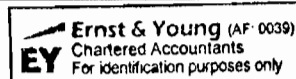
Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs.

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.29 Fair value measurements

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.30 Government grants

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

2.31 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.32 Segment reporting

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015****3. Significant accounting judgements and estimates**

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

Key sources of estimation uncertainty

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

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

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

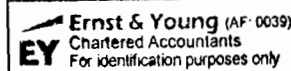
These are common life expectancies applied in the oil palm industry. Changes in the expected level of usage and technological developments and other factors could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying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

(b) Impairment of loans and receivables

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

3. Significant accounting judgements and estimates (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of loans and receivables (Continued)

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

(c) Deferred tax assets

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

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

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

(d) Impairment of goodwill

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

4. Revenue

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

5. Cost of sales

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

6. Dividend income

Dividend income from subsidiaries	-	-	24,650	16,830
	<u>-</u>	<u>-</u>	<u>24,650</u>	<u>16,830</u>

7. Other income

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

8. Finance income

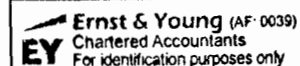
	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from:				
- Short term deposits	12,307	12,833	3,419	4,167
- Current account	954	1,287	276	-
- Futures (FCPO)	8	9	8	9
- Subsidiaries	-	-	20,810	17,301
	<u>13,269</u>	<u>14,129</u>	<u>24,513</u>	<u>21,477</u>

9. Finance costs

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

10. Profit before tax

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

11. Employee benefits expense

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

11. **Employee benefits expense (Continued)**

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

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

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

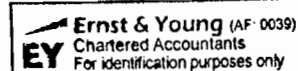
Members of key management of the Group and the Company who are not Directors have been granted the following number of options under the Employee Share Options Scheme ("ESOS"):

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

12. Directors' remuneration

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive:				
Bonus	518	450	518	450
Fees	106	54	44	45
Other emoluments	1,435	1,442	1,435	1,441
Total executive directors' remuneration (excluding benefits-in-kind) (Note 11)	2,059	1,946	1,997	1,936
Estimated money value of benefits-in-kind	28	28	28	28
Total executive directors' remuneration (including benefits-in-kind)	2,087	1,974	2,025	1,964
Non-executive:				
Fees	651	652	404	407
Total non-executive directors' remuneration	651	652	404	407
Total directors' remuneration	2,738	2,626	2,429	2,371

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

13. Income tax expense

Major components of income tax expense

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

13. Income tax expense (Continued)

Reconciliation between tax expense and accounting profit

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

13. Income tax expense (Continued)

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

14. Earnings per share

Continuing operations

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

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

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

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

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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

15. Property, plant and equipment

Group	Land, buildings and infra-structure *	Furniture and office equipment	Motor vehicles and vessels	Plant, machinery and field equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost:					
At 1.1.2014	785,868	15,999	92,493	405,442	1,299,802
Additions	4,356	2,274	9,913	15,827	32,370
Disposals	(111)	(18)	(1,743)	(1,126)	(2,998)
Written off	(38)	(80)	(311)	(624)	(1,053)
Transferred from capital work-in-progress	63,376	90	-	100,806	164,272
Exchange translation differences	-	3	-	-	3
At 31.12.2014 and 1.1.2015	853,451	18,268	100,352	520,325	1,492,396
Additions	10,223	1,556	7,193	13,705	32,677
Reclassification from plantation development expenditure	190	-	-	-	190
Disposals	(1,174)	-	(1,388)	(601)	(3,163)
Written off	(192)	(77)	(39)	(1,733)	(2,041)
Transferred from capital work-in-progress	926	3,127	1,015	21,915	26,983
Exchange translation differences	-	26	83	-	109
At 31.12.2015	863,424	22,900	107,216	553,611	1,547,151
Accumulated depreciation:					
At 1.1.2014	131,040	8,788	49,151	173,623	362,602
Charge for the year	20,666	1,305	8,375	37,816	68,162
Disposals	(1)	(8)	(1,524)	(240)	(1,773)
Written off	(38)	(67)	(265)	(597)	(967)
Exchange translation differences	-	1	4	-	5
At 31.12.2014 and 1.1.2015	151,667	10,019	55,741	210,602	428,029
Charge for the year	22,346	1,553	9,064	45,771	78,734
Reclassification	(122)	-	578	(456)	-
Disposals	-	-	(838)	(725)	(1,563)
Written off	(192)	(61)	(38)	(1,406)	(1,697)
Exchange translation differences	-	4	20	-	24
At 31.12.2015	173,699	11,515	64,527	253,786	503,527

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



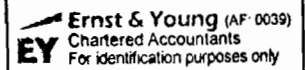
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

15. Property, plant and equipment (Continued)

Group	Land, buildings and infra- structure * RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Plant, machinery and field equipment RM'000	Total RM'000
Net carrying amount:					
At 31.12.2014	<u>701,784</u>	<u>8,249</u>	<u>44,611</u>	<u>309,723</u>	1,064,367
Capital work-in-progress					
At 1.1.2014					119,841
Additions					123,594
Transferred to property, plant and equipment					(164,272)
At 31.12.2014					<u>79,163</u>
					<u>1,143,530</u>
At 31.12.2015	<u>689,725</u>	<u>11,385</u>	<u>42,689</u>	<u>299,825</u>	1,043,624
Capital work-in-progress					
At 1.1.2015					79,163
Additions					74,682
Disposals					(210)
Transferred to property, plant and equipment					(26,983)
At 31.12.2015					<u>126,652</u>
					<u>1,170,276</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

15. Property, plant and equipment (Continued)

***Land, Buildings and Infrastructures**

Group	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Infrastructures RM'000	Total RM'000
Cost:					
At 1.1.2014	68,625	215,840	212,754	288,649	785,868
Additions	-	-	293	4,063	4,356
Disposals	-	-	(111)	-	(111)
Written off	-	-	(38)	-	(38)
Transferred from capital work-in-progress	-	-	54,850	8,526	63,376
At 31.12.2014 and 1.1.2015	68,625	215,840	267,748	301,238	853,451
Additions	-	574	8,768	881	10,223
Reclassification	-	-	(2,723)	2,723	-
Reclassified from plantation development expenditure	-	-	190	-	190
Disposals	-	(1,174)	-	-	(1,174)
Written off	-	-	(192)	-	(192)
Transferred from capital work-in-progress	-	-	(576)	1,502	926
At 31.12.2015	68,625	215,240	273,215	306,344	863,424
Accumulated depreciation:					
At 1.1.2014	13,242	16,744	74,477	26,577	131,040
Charge for the year	1,303	3,160	11,689	4,514	20,666
Disposals	-	-	(1)	-	(1)
Written off	-	-	(38)	-	(38)
At 31.12.2014 and 1.1.2015	14,545	19,904	86,127	31,091	151,667
Charge for the year	1,259	2,763	13,388	4,936	22,346
Reclassification	-	-	(235)	113	(122)
Written off	-	-	(192)	-	(192)
At 31.12.2015	15,804	22,667	99,088	36,140	173,699
Net carrying amount:					
At 31.12.2014	54,080	195,936	181,621	270,147	701,784
At 31.12.2015	52,821	192,573	174,127	270,204	689,725

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

15. Property, plant and equipment (Continued)

Company	Leasehold land, buildings and infra- structure* RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Machinery and field equipment RM'000	Total RM'000
Cost:					
At 1.1.2014	162,135	10,612	58,270	206,875	437,892
Transferred from capital work-in-progress	27,678	-	-	41,560	69,238
Additions	1,213	1,111	6,242	7,317	15,883
Disposals	-	(17)	(1,704)	(1,220)	(2,941)
Written off	(38)	(68)	(256)	(515)	(877)
At 31.12.2014 and 1.1.2015	190,988	11,638	62,552	254,017	519,195
Transferred from capital work-in-progress	1,572	3,122	-	22,692	27,386
Additions	24	738	4,957	2,181	7,900
Disposals	-	(4)	(977)	(1,485)	(2,466)
Written off	(10)	(36)	(37)	(1,066)	(1,149)
At 31.12.2015	192,574	15,458	66,495	276,339	550,866
Accumulated depreciation:					
At 1.1.2014	54,269	6,178	28,330	113,831	202,608
Charge for the year	7,075	683	5,391	20,205	33,354
Disposals	-	(8)	(1,648)	(382)	(2,038)
Written off	(38)	(60)	(256)	(499)	(853)
At 31.12.2014 and 1.1.2015	61,306	6,793	31,817	133,155	233,071
Charge for the year	7,180	825	6,310	23,546	37,861
Disposals	-	(1)	(593)	(672)	(1,266)
Written off	(10)	(24)	(37)	(742)	(813)
At 31.12.2015	68,476	7,593	37,497	155,287	268,853

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DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

15. Property, plant and equipment (Continued)

Company	Leasehold land, buildings and infra- structure* RM'000	Furniture and office equipment RM'000	Motor vehicles and vessels RM'000	Machinery and field equipment RM'000	Total RM'000
Net carrying amount:					
At 31.12.2014	129,682	4,845	30,735	120,862	286,124
Capital work-in-progress					
At 1.1.2014					80,085
Additions					15,517
Transferred to property, plant and equipment					(69,238)
At 31.12.2014					26,364
					312,488
At 31.12.2015	124,098	7,865	28,998	121,052	282,013
Capital work-in-progress					
At 1.1.2015					26,364
Additions					5,283
Disposals					(210)
Transferred to property, plant and equipment					(27,386)
At 31.12.2015					4,051
					286,064

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

15. Property, plant and equipment (Continued)

*** Leasehold land, buildings and infrastructure**

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

a) Assets held under finance leases

During the financial year, the Group and the Company acquired plant and machinery and motor vehicles with an aggregate cost of RM7,806,000 (2014: RM10,528,000) and RM4,032,000 (2014: RM7,204,000) respectively by means of finance leases. The cash outflows on acquisition of property, plant and equipment of the Group and of the Company amounted to RM99,045,000 (2014: RM144,775,000) and RM9,151,000 (2014: RM24,196,000) respectively.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

15. Property, plant and equipment (Continued)

a) Assets held under finance leases (Continued)

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

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

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

b) Additions to property, plant and equipment include:

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

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

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

16. Plantation development expenditure

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

Additions to plantation development expenditure include:

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

17. Land held for property development

(a) Land held for property development

	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group			
Cost:			
At 1 January 2014	18,307	3,881	22,188
Additions	-	1	1
Transfer to property development costs	(11,551)	(3,874)	(15,425)
At 31 December 2014 and 31 December 2015	<u>6,756</u>	<u>8</u>	<u>6,764</u>

(b) Property development costs

	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group			
Cumulative property development costs			
At 1 January 2014 and 1 January 2015	11,599	22,726	34,325
Costs incurred during the year	201	22,916	23,117
At 31 December 2015	<u>11,800</u>	<u>45,642</u>	<u>57,442</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

17. Land held for property development (Continued)

(b) Property development costs (Continued)

	Leasehold land RM'000	Development costs RM'000	Total RM'000
Group			
Cumulative costs recognised in profit or loss			
At 1 January 2014 and 1 January 2015	(212)	(487)	(699)
Recognised during the year	(375)	(6,956)	(7,331)
At 31 December 2015	<u>(587)</u>	<u>(7,443)</u>	<u>(8,030)</u>
Property development costs at 31 December 2015	<u>11,213</u>	<u>38,199</u>	<u>49,412</u>
At 31 December 2014	<u>11,387</u>	<u>22,239</u>	<u>33,626</u>

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

18. Land use rights

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

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

19. Investment in subsidiaries

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares at cost	<u>500,888</u>	<u>494,133</u>

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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

19. **Investment in subsidiaries (Continued)**

Details of the subsidiaries are shown as follows:

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests	
			2015 %	2014 %	2015 %	2014 %
Held by the Company:						
SOP Karabungan Sdn. Bhd.	Malaysia	Cultivation of oil palms	70	70	30	30
SOP Pelita Batu Lintang Plantation Sdn. Bhd.	Malaysia	Cultivation of oil palms	60	60	40	40
SOP Plantations (Balingian) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	80	80	20	20
SOP Plantations (Beluru) Sdn. Bhd.	Malaysia	Cultivation of oil palms	100	100	-	-
SOP Plantations (Borneo) Sdn. Bhd.	Malaysia	Cultivation of oil palms	85	85	15	15
SOP Plantations (Kemena) Sdn. Bhd.	Malaysia	Cultivation of oil palms	100	100	-	-
SOP Plantations (Niah) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	80	80	20	20
SOP Plantations (Sarawak) Sdn. Bhd.	Malaysia	Investment holding	100	100	-	-
SOP Plantations (Suai) Sdn. Bhd.*	Malaysia	Cultivation of oil palms	85	85	15	15
SOP Plantations (Sabaju) Sdn. Bhd.	Malaysia	Cultivation of oil palms	60	60	40	40

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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

19. Investment in subsidiaries (Continued)

Name of subsidiaries	Country of Incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests	
			2015 %	2014 %	2015 %	2014 %
Held by the Company (Continued):						
SOP Resources Sdn. Bhd.	Malaysia	Supplies of goods	100	100	-	-
SOP Services Sdn. Bhd.	Malaysia	Rendering of IT and insurance services	100	100	-	-
SOP Industries Sdn. Bhd.	Malaysia	Investment holding	100	100	-	-
SOP Properties Sdn. Bhd.	Malaysia	Property development	100	100	-	-
SOP-Pelita Developments Sdn. Bhd.	Malaysia	Inactive	65	65	35	35
SOP Agro Sdn. Bhd.*	Malaysia	Processing oil palm by-products into fertilisers	100	100	-	-
SOP Lambirmass Sdn. Bhd. (Formerly known as SOP Sg Arang Plantation Sdn. Bhd.)	Malaysia	Inactive	100	60	-	-
SOP Transport Sdn. Bhd.*	Malaysia	Transportation services	100	100	-	-
Subur Asiamas Sdn. Bhd.*	Malaysia	Packaging and distribution of food products	100	100	-	-
SOPB Pte. Ltd.**	Singapore	Sales and marketing agents	100	100	-	-

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**SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015**

19. Investment in subsidiaries (Continued)

Name of subsidiaries	Country of Incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests	
			2015 %	2014 %	2015 %	2014 %
Held through a subsidiary - SOP Industries Sdn. Bhd.:						
SOP Green Energy Sdn. Bhd.	Malaysia	Manufacturing of biodiesel	100	100	-	-
SOP Edible Oils Sdn. Bhd.	Malaysia	Refining and trading of palm products	100	100	-	-
SOP Foods Sdn. Bhd.	Malaysia	Manufacturing of bottles for the consumer packaging plant	100	100	-	-
SOP Nutraceuticals Sdn. Bhd.	Malaysia	Inactive	100	-	-	-
Held through a subsidiary - SOP Plantations (Beluru) Sdn. Bhd.:						
Setia Wiramaju Sdn. Bhd.	Malaysia	Management and maintenance of road and barge	51.82	51.82	48.18	48.18
Held through a subsidiary - SOP Properties Sdn. Bhd.:						
SOP Properties (Mortgage) Sdn. Bhd.	Malaysia	Inactive	100	-	-	-
* Audited by a firm of auditors other than Ernst & Young.						
** Audited by a member firm of Ernst & Young Global						

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

19. Investment in subsidiaries (Continued)

a) Acquisition of subsidiaries

Subur Asiamas Sdn. Bhd.

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

SOP Transport Sdn. Bhd.

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

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

SOP Foods Sdn. Bhd.

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

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

SOPB Pte. Ltd.

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

SOP Properties (Mortgage) Sdn. Bhd.

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

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

SOP Nutraceuticals Sdn. Bhd.

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

19. **Investment in subsidiaries (Continued)**

a) **Acquisition of subsidiaries (Continued)**

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

	Fair Value/ Carrying Amount	
	2015 RM'000	2014 RM'000
Cash and bank balances	100	-
Net identifiable assets	100	-

	2015 RM'000	2014 RM'000
The effect of the acquisitions on cash flows is as follows:		
Total cost of the business combination	100	-
Less: Cash and cash equivalents of subsidiaries acquired	(100)	-
Net cash outflow on acquisitions	-	-

Goodwill arising on acquisition

Fair value of net identifiable assets	100	-
Less: Non-controlling interests	-	-
Group's interest in fair value of net identifiable assets	100	-
Goodwill on acquisition (Note 26)	-	-
Cost of business combination	100	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

19. Investment in subsidiaries (Continued)

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
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19. Investment in subsidiaries (Continued)

c) Non-controlling interests

Summarised financial information of SOP Plantations (Niah) Sdn. Bhd., SOP Plantations (Balingian) Sdn. Bhd. and SOP Plantations (Borneo) Sdn. Bhd. which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised statements of financial information

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

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**SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015**

19. Investment in subsidiaries (Continued)									
c) Non-controlling interests (Continued)									
(ii) Summarised statements of profit or loss and other comprehensive income									
		SOP Plantations (Niah) Sdn. Bhd.		SOP Plantations (Balingian) Sdn. Bhd.		SOP Plantations (Borneo) Sdn. Bhd.		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue		49,138	59,544	40,502	45,842	83,345	84,725	172,985	190,111
Profit for the year, representing total comprehensive income		16,559	23,489	12,589	18,659	20,178	25,510	49,326	67,658
Total comprehensive income attributable to owners of the Company		13,247	18,791	10,071	14,927	17,151	21,684	40,469	55,402
Total comprehensive income attributable to the non-controlling interests		3,312	4,698	2,518	3,732	3,027	3,826	8,857	12,256
		<u>16,559</u>	<u>23,489</u>	<u>12,589</u>	<u>18,659</u>	<u>20,178</u>	<u>25,510</u>	<u>49,326</u>	<u>67,658</u>
Dividend paid to non- controlling interests		<u>2,010</u>	<u>2,000</u>	<u>2,040</u>	<u>2,040</u>	<u>1,500</u>	<u>-</u>	<u>5,550</u>	<u>4,040</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015**

19. Investment in subsidiaries (Continued)
c) Non-controlling interests (Continued)
(iii) Summarised cash flows

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

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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

20. Investment in associates

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

Details of the associate are as follows:

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

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

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

21. Other investments

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

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**SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
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22. Derivatives	Contract Nominal Amount 2015 RM'000	Assets 2015 RM'000	Liabilities 2015 RM'000	Contract Nominal Amount 2014 RM'000	Assets 2014 RM'000	Liabilities 2014 RM'000
Commodity forward contract	202,217	222	6,709	58,758	893	-
Interest rate swap	23,101	33	-	28,275	222	-
Forward currency contracts	16,790	10,762	7,599	395,951	-	10,934
Cash flow hedges	23,889	-	152	25,000	-	213
Total derivatives		11,017	14,460		1,115	11,147
Less: current portion		(11,017)	(14,370)		(1,115)	(10,999)
Non-current portion		-	90		-	148

a) Derivatives not designated as hedging instruments

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

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

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

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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

22. Derivatives (Continued)

b) Cash flow hedges

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

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

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

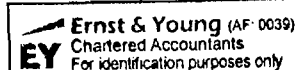
	Group	
	2015	2014
	RM'000	RM'000
Within one year	62	65
Later than 1 year but not later than 2 years	58	61
Later than 2 years but not later than 5 years	32	87
	152	213
	152	213

23. Inventories

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

24. Trade and other receivables

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

a) Trade receivables

The Group and the Company trade receivables are non-interest bearing and are generally on 30 day (2014: 30 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

24. **Trade and other receivables (Continued)**

a) **Trade receivables (Continued)**

Receivables that are neither past due nor impaired

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

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM16,555,000 (2014: RM47,384,000) and RM63,758,000 (2014: RM38,648,000) respectively that are past due at the reporting date but not impaired.

b) **Amount due from subsidiaries**

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

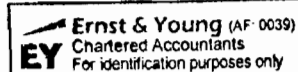
The amounts due from subsidiaries are unsecured and are repayable on demand.

25. **Other current assets**

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

26. **Intangible asset**

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

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

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

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

27. **Cash and bank balances**

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

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

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

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

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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

27. Cash and bank balances (Continued)

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

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

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

28. Loans and borrowings

	Maturity	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current					
Secured:					
Bankers acceptances/short					
term loans	2016	70,318	218,250	-	-
Trust receipts	2016	123,891	-	-	-
Obligations under finance					
leases (Note 36(b))	2016	7,721	9,670	4,048	4,791
Revolving credits	2016	81,000	75,000	-	-
Term loans	2016	81,800	77,967	-	-
		<u>364,730</u>	<u>380,887</u>	<u>4,048</u>	<u>4,791</u>
Unsecured:					
Revolving credits	2016	60,200	22,200	55,200	22,200
Bank overdraft (Note 27)	On demand	3,500	-	-	-
Bankers acceptances/short					
term loans	2016	248,548	36,587	15,127	-
Term loans	2016	22,417	15,021	19,500	15,021
		<u>334,665</u>	<u>73,808</u>	<u>89,827</u>	<u>37,221</u>
		<u>699,395</u>	<u>454,695</u>	<u>93,875</u>	<u>42,012</u>

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SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

28. Loans and borrowings (Continued)

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

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

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

Bankers acceptances/short term loans

Bankers acceptances/short term loans are secured by a debenture incorporating floating charge over all present and future assets of a subsidiary.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 15).

Revolving credits

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

28. Loans and borrowings (Continued)

Term loans

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

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

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

29. Trade and other payables

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

29. Trade and other payables (Continued)

a) Trade payables

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

b) Amount due to subsidiaries

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

30. Government grant

	2015 RM'000	2014 RM'000
At 1 January	-	-
Received and receivable during the year	12,565	-
At 31 December	<u>12,565</u>	<u>-</u>
Current	391	-
Non-current	<u>12,174</u>	<u>-</u>

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

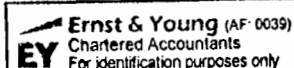
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

**SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015**

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

31. Deferred tax (Continued)

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

Presented after appropriate offsetting as follows:

Deferred tax assets	(64,307)	(49,057)	-	-
Deferred tax liabilities	124,775	125,139	34,260	33,629
	<u>60,468</u>	<u>76,082</u>	<u>34,260</u>	<u>33,629</u>

During the year, the Group has:

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

32. Share capital and share premium

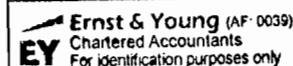
	Number of Ordinary Shares of RM1 Each	Amount		
		Share Capital (Issued and Fully Paid) '000	Share Capital (Issued and Fully Paid) RM'000	Share Premium RM'000
At 1 January 2014	438,253	438,253	11,423	449,676
Ordinary shares issued during the year:				
Pursuant to exercise of ESOS	1,245	1,245	1,937	3,182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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

33. Employee share option reserve

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

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

34. Other reserves.

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

34. Other reserves (Continued)

Hedge reserve

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

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

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

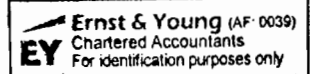
	2015	2014
	RM	RM
United States Dollar		
Income statement (average rate)	4.14950	3.2812
Balance sheet (period end rate)	4.29350	3.4966

35. Retained earnings

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

36. Commitments

a) Capital commitments

Capital expenditure as at the reporting date is as follows:

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

b) Finance lease commitments

The Group has finance leases for certain items of plant and machinery and motor vehicles (Note 15). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

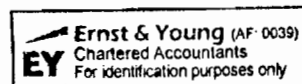
Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Minimum lease payments				
Not later than 1 year	8,227	10,294	4,335	5,132
Later than 1 year but not later than 2 years	5,075	5,413	3,022	2,880
Later than 2 years but not later than 5 years	1,037	2,273	529	1,568
	<u>14,339</u>	<u>17,980</u>	<u>7,886</u>	<u>9,580</u>
Total minimum lease payments				
Less: Amounts representing finance charges	(693)	(912)	(390)	(522)
	<u>13,646</u>	<u>17,068</u>	<u>7,496</u>	<u>9,058</u>
Present value of minimum lease payments				

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



36. Commitments (Continued)

b) Finance lease commitments (Continued)

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

37. Related party transactions

Sale and purchase of goods and services

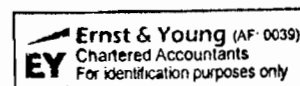
In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place at terms agreed between the parties during the financial year:

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



37. **Related party transactions (Continued)**

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Transactions with companies owned substantially by Directors Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing				
Purchase of spare parts and consumables	156,227	140,307	3,104	5,065
Purchase of fresh fruit bunches	41,895	41,751	41,895	41,751
Sales of goods and services	-	(106)	-	-
Transportation charges	5,695	2,281	-	-

38. **Employee benefits**

Employee Share Options Scheme (“ESOS”)

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

The salient features of the ESOS are as follows:

- (i) The Option Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.
- (ii) Subject to the discretion of the Option Committee, any employee who has been employed for at least one year and whose employment has been confirmed is eligible to participate in the ESOS. Directors of the Group are not eligible to participate in the Proposed ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 6.32% of the issued and paid up share capital of the Company during the tenure of the ESOS. The aggregate allocation of options to the senior management of the Group shall not exceed 50% of the total number of shares to be issued under the ESOS. In addition, not more than 10% of the shares available under the ESOS are to be allocated to any eligible employee who, either singly or collectively through persons connected to the eligible employee, holds 20% or more in the issued and paid up share capital of the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



38. **Employee benefits (Continued)**

Employee Share Options Scheme (“ESOS”) (Continued)

- (iv) The option price for each share shall be the higher of (a) at a discount of not more than 10% from the 5-day weighted average market price of the shares of the Company as shown in the daily official list issued by Bursa Securities immediately preceding the date on which the option is granted or (b) the par value of the shares of the Company.
- (v) The options shall be exercisable only by the employee during his lifetime and in employment of the Group and within the option period, subject to a maximum percentage of options exercisable in each year over a period up to 10 years.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the then existing ordinary shares of the Company except that the shares so issued shall not be entitled for any dividends, rights, allotments or other distributions to shareholders the entitlement date of which is prior to the date of allotment of the shares.
- (vii) The options shall not carry any right to vote at a general meeting of the Company.
- (viii) Fair value of share options granted during the year

The fair value of share options granted during the year was estimated by an external valuer using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at granted date and the assumptions are as follows:

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

38. Employee benefits (Continued)

Employee Share Options Scheme (“ESOS”) (Continued)

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

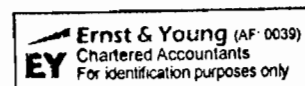
	Outstanding	Movements during the year				Outstanding	Exercisable
	1 January	Granted	Exercised	Forfeited	Expired	31 December	31 December
	'000	'000	'000	'000	'000	'000	'000
2015							
2015 options	-	637	-	(16)	-	621	289
2014 options	666	-	-	(38)	-	628	394
2013 options	539	-	-	(68)	-	471	318
2012 options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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

38. Employee benefits (Continued)

(ii) Share options exercised during the year

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

39. Fair value of financial instruments

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

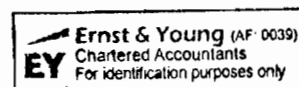
Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Company which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	Carrying amount		Fair value	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Group				
Interest-bearing loans and borrowings				
- Obligations under finance leases	5,925	7,398	5,869	7,543
Company				
Interest-bearing loans and borrowings				
- Obligations under finance leases	3,448	4,267	3,415	4,199

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



39. Fair value of financial instruments (Continued)

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

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

(b) Determination of fair value

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

	Note
Trade and other receivables	24
Trade and other payables	29
Loan and borrowings	28

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

40. Fair value measurement

Fair value hierarchy

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

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

40. **Fair value measurement (Continued)**

Fair value hierarchy (Continued)

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

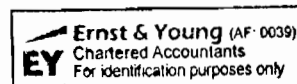
Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
31 December 2015				
Assets for				
Derivatives				
- Interest rate swap	-	33	-	33
- Forward currency contracts - US dollar	-	10,762	-	10,762
- Derivatives commodity forward contracts	-	222	-	222
Liabilities for				
Interest-bearing loans and borrowings				
- Obligations under finance leases	-	5,869	-	5,869
- Forward currency contracts - US dollar	-	7,599	-	7,599
- Derivatives commodity forward contracts	-	6,709	-	6,709
31 December 2014				
Assets for				
Derivatives				
- Interest rate swap	-	222	-	222
- Derivatives commodity forward contracts	-	893	-	893
Liabilities for				
Interest-bearing loans and borrowings				
- Obligations under finance leases	-	7,543	-	7,543
- Forward currency contracts - US dollar	-	10,934	-	10,934

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



40. Fair value measurement (Continued)

Fair value hierarchy (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company				
31 December 2015				
Liabilities for				
Interest-bearing loans and borrowings				
- Obligations under finance leases	-	3,415	-	3,415
Derivatives commodity forward contracts	-	69	-	69
31 December 2014				
Liabilities for				
Interest-bearing loans and borrowings				
- Obligations under finance leases	-	4,199	-	4,199
Derivatives commodity forward contracts	-	-	-	-

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

41. Financial risk management objectives and policies

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



41. Financial risk management objectives and policies (Continued)

(a) Credit risk

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

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

Exposure to credit risk

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

Financial assets that are neither past due nor impaired

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

Financial assets that are past due but not impaired

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

Corporate financial guarantees

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

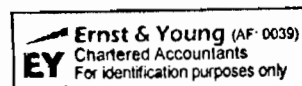
(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and cash equivalents, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



41. Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

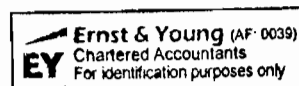
The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

Group	On demand or within 1 year RM'000	Between 1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2015				
Financial liabilities:				
Trade and other payables, excluding financial guarantees*	274,511	-	-	274,511
Loans and borrowings	715,666	410,238	25,622	1,151,526
Total undiscounted financial liabilities	<u>990,177</u>	<u>410,238</u>	<u>25,622</u>	<u>1,426,037</u>
At 31 December 2014				
Financial liabilities:				
Trade and other payables, excluding financial guarantees*	221,766	-	-	221,766
Loans and borrowings	478,923	470,534	63,031	1,012,488
Total undiscounted financial liabilities	<u>700,689</u>	<u>470,534</u>	<u>63,031</u>	<u>1,234,254</u>
Company	On demand or within 1 year RM'000	Between 1 to 5 years RM'000	Total RM'000	
At 31 December 2015				
Financial liabilities:				
Trade and other payables, excluding financial guarantees*		99,805	-	99,805
Loans and borrowings		98,352	69,107	167,459
Total undiscounted financial liabilities		<u>198,157</u>	<u>69,107</u>	<u>267,264</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



41. **Financial risk management objectives and policies (Continued)**

(b) **Liquidity risk (Continued)**

Company	On demand or within 1 year RM'000	Between 1 to 5 years RM'000	Total RM'000
At 31 December 2014			
Financial liabilities:			
Trade and other payables, excluding financial guarantees*	75,460	-	75,460
Loans and borrowings	48,415	115,370	163,785
Total undiscounted financial liabilities	<u>123,875</u>	<u>115,370</u>	<u>239,245</u>

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

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to market risk for changes in interest rates arise primarily from their long term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM729,000 (2014: RM339,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) **Foreign currency risk**

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31
DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

41. **Financial risk management objectives and policies (Continued)**

(d) **Foreign currency risk (Continued)**

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

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

Sensitivity analysis for foreign currency risk

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

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

(e) **Commodity price risk**

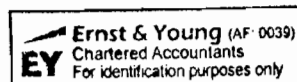
The prices of crude palm oil are subject to fluctuations due to global demand. The value of the Group's open sales and purchases commitments and inventory changes accordingly to the movements in the commodity price. The Group minimises risks arising from such fluctuations by hedging its sales either through direct purchases of a similar commodity or through futures contracts on the commodity exchanges.

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



42. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

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

43. Segment information

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

- I. Oil palm
- II. Property development

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

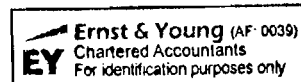
43. Segment information (Continued)

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015



43. **Segment information (Continued)**

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

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

C The following items are added to/(deducted from) segment (loss)/profit to arrive at “(Loss)/Profit before tax from continuing operations” presented in the consolidated statement of profit or loss:

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

D Additions to non-current assets consist of:

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

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

43. Segment information (Continued)

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

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

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

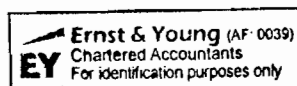
	Revenue		Non-current assets	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	1,993,270	2,836,351	1,737,508	1,729,568
Singapore	1,677,517	38,367	442	380
	<u>3,670,787</u>	<u>2,874,718</u>	<u>1,737,950</u>	<u>1,729,948</u>

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

44. Dividends

	Group/Company	
	2015	2014
	RM'000	RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
Final dividend for 2014:		
5 Sen (2013: 5 Sen) per share	<u>21,997</u>	<u>21,963</u>
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
Final dividend for 2015:		
5 Sen (2014: 5 Sen) per share	<u>22,065</u>	<u>21,975</u>

45. Contingent liabilities

Details of contingent liabilities are as follows:

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

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

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

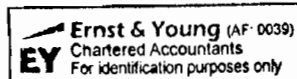
The Directors believe that the subsidiary has valid defences against the allegation and, accordingly, no provision has been made for any claim arising from the litigation.

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

46. Significant event

On 19 March 2014, the Company has entered into the conditional share sales agreement and conditional sales and purchase agreement for the acquisition of the following:

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

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

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

47. Authorisation of financial statements for issue

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE FYE 31 DECEMBER 2015 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)

SARAWAK OIL PALMS BERHAD (Incorporated in Malaysia) – 7949-M



SUPPLEMENTARY INFORMATION - 31 DECEMBER 2015

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

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

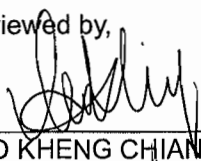
	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Recognised during the financial year:				
Total retained earnings of the Company and its subsidiaries:				
- Realised	1,003,202	924,314	1,002,664	924,905
- Unrealised	(65,253)	(52,820)	(33,706)	(33,480)
Retained earnings as per financial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

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE SIX (6) MONTH FPE 30 JUNE 2016

SARAWAK OIL PALMS BERHAD
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2016
 (The figures have not been audited)
Condensed Consolidated Statement of Financial Position as at 30 June 2016

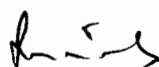
	30 June 2016 RM'000	31 December 2015 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	1,168,600	1,170,276
Plantation development expenditure	548,873	556,008
Land held for property development	6,764	6,764
Land use rights	4,854	4,902
Investment in associate	11,530	10,081
Intangible assets	5,182	5,182
Deferred tax assets	69,158	64,307
	<u>1,814,961</u>	<u>1,817,520</u>
Current Assets		
Inventories	238,249	289,011
Property development costs	53,085	49,412
Trade and other receivables	303,388	422,717
Derivatives financial assets	5,215	11,017
Cash and bank balances	439,581	440,736
	<u>1,039,518</u>	<u>1,212,893</u>
TOTAL ASSETS	<u>2,854,479</u>	<u>3,030,413</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	441,791	441,307
Share premium	17,123	16,724
Employee share option reserve	7,509	6,191
Other reserves	5,024	1,613
Retained earnings	996,473	937,949
	<u>1,467,920</u>	<u>1,403,784</u>
Non-controlling interests	<u>88,583</u>	<u>96,084</u>
Total equity	<u>1,556,503</u>	<u>1,499,868</u>

Reviewed by,



THO KHENG CHIANG
AGFC

Approved by,



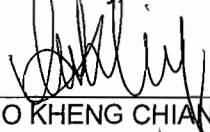
WONG SIANG WUNG
GFC

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE SIX (6) MONTH FPE 30 JUNE 2016 (CONT'D)

SARAWAK OIL PALMS BERHAD
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2016
 (The figures have not been audited)
Condensed Consolidated Statement of Financial Position as at 30 June 2016

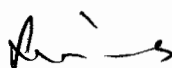
	30 June 2016 RM'000	31 December 2015 RM'000
Non-current liabilities		
Deferred tax liabilities	122,128	124,775
Loans and borrowings	392,068	402,454
Government grant	12,564	12,174
Derivative financial liabilities	104	90
	526,864	539,493
Current liabilities		
Loans and borrowings	503,316	699,395
Trade and other payables	267,796	277,287
Derivative financial liabilities	-	14,370
	771,112	991,052
Total liabilities	1,297,976	1,530,545
TOTAL EQUITY AND LIABILITIES	2,854,479	3,030,413
 Net assets per share attributable to owners of the Company (RM)	3.32	3.18

Reviewed by



THO KHENG CHIANG
AGFC

Approved by,

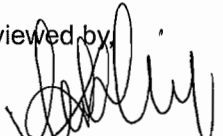


WONG SIONG WUNG
GFC

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE SIX (6) MONTH FPE 30 JUNE 2016 (CONT'D)
**SARAWAK OIL PALMS BERHAD
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2016
(The figures have not been audited)
Condensed Consolidated Statement of Comprehensive Income**

	2016 RM'000	2015 RM'000
Continuing Operations		
Revenue	1,989,306	1,395,455
Operating expenses	(1,914,563)	(1,340,586)
Other operating income/(expenses)	26,450	3,408
Administrative expenses	(8,432)	(5,916)
Finance costs	(18,699)	(19,009)
Share of results of an associate, net of tax	2,187	(779)
Profit before tax	76,249	32,573
Taxation	(17,336)	(8,959)
Profit for the period	58,913	23,614
Other comprehensive income:		
Net changes in fair value of derivatives	10	(12)
Foreign exchange translation differences for foreign operations	3,401	279
Other comprehensive income for the period, net of tax	3,411	267
Total comprehensive income for the period	62,324	23,881
Profit attributable to:		
Owners of the Company	58,592	22,523
Non-controlling interests	321	1,091
	58,913	23,614
Total comprehensive income attributable to:		
Owners of the Company	62,003	22,790
Non-controlling interests	321	1,091
	62,324	23,881
Earning per share attributable to Owners of the Company (Sen):		
Basic	13.26	5.12
Diluted	13.17	5.09

Reviewed by,


 THO KHENG CHIANG
AGFC

Approved by,


 WONG SIANG WUNG
GFC

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE SIX (6) MONTH FPE 30 JUNE 2016 (CONT'D)

SARAWAK OIL PALMS BERHAD
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2016
(The figures have not been audited)
Condensed Consolidated Statement of Changes in Equity

	Equity Attributable to Owners of the Company								
	Equity, total RM'000	Equity attributable to owners of the Company total RM'000	Equity Attributable to Owners of the Company			Non-Distributable		Distributable	
			Share capital RM'000	Share premium RM'000	Employee share option reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Non- controlling interests RM'000	
At 1 January 2016	1,499,868	1,403,784	441,307	16,724	6,191	1,613	937,949	96,084	
Total comprehensive income for the period	62,324	62,003	-	-	-	3,411	58,592	321	
Transactions with owners									
Issuance of ordinary shares:									
Pursuant to exercise of ESOS	-	-	484	(484)	-	-	-	-	
Share option granted under ESOS:									
Recognised in profit or loss	2,201	2,201	-	-	2,201	-	-	-	
Exercise of ESOS	-	-	-	883	(883)	-	-	-	
Dividend paid to non-controlling interests	(8,040)	-	-	-	-	-	-	(8,040)	
Disposal of interest in a subsidiary	150	(68)	-	-	-	-	(68)	218	
At 30 June 2016	1,556,503	1,459,880	441,791	17,123	7,509	5,024	996,473	88,583	

Reviewed by,



THO KHENG CHIANG
AGFC

Approved by,



WONG SIONG WUNG
GFC

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE SIX (6) MONTH FPE 30 JUNE 2016 (CONT'D)

SARAWAK OIL PALMS BERHAD
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2016
 (The figures have not been audited)
Condensed Consolidated Statement of Changes in Equity

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

Reviewed by,

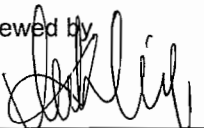
Approved by,

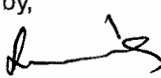

 THO KHENG CHIANG
 AGFC


 WONG SIONG WUNG
 GFC

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE SIX (6) MONTH FPE 30 JUNE 2016 (CONT'D)
**SARAWAK OIL PALMS BERHAD
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2016
(The figures have not been audited)
Condensed Consolidated Cash Flow Statement**

	30 June 2016 RM'000	30 June 2015 RM'000
Operating activities		
Profit before tax	76,249	32,573
Adjustments for non-cash flow items:		
Depreciation and amortisation	53,359	51,562
Employee expenses under ESOS	1,089	1,052
Gain on disposal of property, plant and equipment	(728)	(26)
Property, plant and equipment written off	150	81
Finance income	(6,300)	(5,624)
Finance costs	18,699	19,009
Unrealised losses/(gains) on foreign exchange	4,100	(4,367)
Unrealised gains on futures	(4,616)	-
Fair value changes on derivative financial instruments	(4,660)	(6,663)
Share of results of an associate	(2,187)	(779)
Operating profit before working capital changes	135,155	86,818
Decrease in inventories	46,552	20,505
Decrease/(Increase) in trade and other receivables	100,475	(96,186)
Decrease in trade and other payables	(6,105)	(82,519)
Cash generated from/(used in) operations	276,077	(71,382)
Tax paid	(14,476)	(29,637)
Net cash flows from/(used in) operating activities	261,601	(101,019)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(38,189)	(15,606)
Increase in plantation development expenditure	(6,278)	(3,039)
Increase in land held for property development	-	(6,160)
Proceeds from disposals of property, plant and equipment	708	8
Interest received	6,300	5,624
Subscription of shares in associate company	-	(1,350)
Disposal of interest in a subsidiary	150	-
Net cash used in investing activities	(37,309)	(20,523)

Reviewed by

 THO KHENG CHIANG
 AGFC

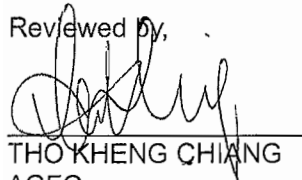
Approved by,

 WONG SIONG WUNG
 GFC

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR GROUP FOR THE SIX (6) MONTH FPE 30 JUNE 2016 (CONT'D)

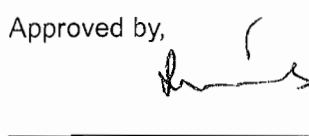
SARAWAK OIL PALMS BERHAD
INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2016
 (The figures have not been audited)
Condensed Consolidated Cash Flow Statement

	Note	30 June 2016 RM'000	30 June 2015 RM'000
Cash flows from financing activities			
Net changes in trade facilities		(144,278)	144,023
Proceeds from loans and borrowings		1,768	44,194
Proceeds from issuance of share capital		883	846
Dividend paid		(8,040)	(5,550)
Government grant received		7,551	4,251
Repayment of hire purchase		(4,484)	(6,526)
Repayment of loans and borrowings		(57,958)	(61,938)
Interest paid		(19,280)	(19,166)
Net cash (used in)/from financing activities		<u>(223,838)</u>	<u>100,134</u>
Net increase/(decrease) in cash and cash equivalents		454	(21,408)
Cash and cash equivalents at beginning of the financial period		437,236	487,929
Effect of exchange rate changes on cash and cash equivalents		1,891	4,935
Cash and cash equivalents at end of financial period		<u>439,581</u>	<u>471,456</u>
Cash and cash equivalents at the end of the financial period comprised the following:			
Short term deposits with licensed banks		261,005	278,216
Cash in hand and at banks		178,576	193,240
Cash and bank balances		<u>439,581</u>	<u>471,456</u>

Reviewed by,


 THO KHENG CHIANG
 AGFC

Approved by,


 WONG SIONG WUNG
 GFC

DIRECTORS' REPORT



SARAWAK OIL PALMS BERHAD (7949-M)

Registered office:

No. 124-126
Jalan Bendahara
98000 Miri, Sarawak

03 NOV 2016

To: The shareholders of Sarawak Oil Palms Berhad ("SOPB" or the "Company")

Dear Sir / Madam,

On behalf of the Board of Directors of SOPB ("Board"), I wish to report that after making due enquiries in relation to SOPB and its subsidiary companies ("SOPB Group" or the "Group") during the period between 31 December 2015, being the date on which the latest audited consolidated financial statements have been made up, and up to the date of this letter, being a date not earlier than fourteen (14) days before the issuance of this Abridged Prospectus, that:-

- (a) the business of our Group has, in the opinion of our Board, been satisfactorily maintained;
- (b) in the opinion of our Board, no circumstances have arisen since the last audited consolidated financial statements of our Group, which have adversely affected the trading or the value of the assets of our Group;
- (c) the current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Abridged Prospectus, there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by our Group;
- (e) there have been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings in our Group since the last audited consolidated financial statements of SOPB; and
- (f) save as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of our Group since the last audited consolidated financial statements of SOPB.

Yours faithfully,

For and on behalf of the Board

SARAWAK OIL PALMS BERHAD

FONG YOO KAW @ FONG FEE KOW, VICTOR

Independent Non-Executive Director

VALUATION CERTIFICATE

C H Williams Talhar Wong & Yeo**C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)**

Jurukur Berkanun
Chartered Surveyors

Perunding Harta Antarabangsa
International Property Consultants

Lot 1139,
Waterfront Commercial Centre,
P. O. Box 1121, 98008
Miri, Sarawak.
Tel: 085-432480 / 432821
Fax: 085-411786
E-mail: miri@wtwy.com
URL: www.wtwy.com

CONFIDENTIAL

Our Ref : WTWYV/MIRI/20799/2016/TKS/EM/em
WTWYV/MIRI/20885/2016/TKS/LTY/lty

Date : 4th July 2016

Sarawak Oil Palms Berhad
No. 124 – 126, Jalan Bendahara
P.O. Box 547
98007 Miri
Sarawak

Dear Sirs

VALUATION CERTIFICATE

- (1) **ELEVEN (11) OIL PALM PLANTATIONS
KNOWN AS MALEH, MENAWAN 1 & 2, METANIK 1 & 2, PENYUAN 1, 2 & 3,
SEHAT, SEPING 1 & 2 ESTATES AND**
- (2) **METANIK PALM OIL MILL
ALL HELD UNDER LOTS 30 – 42 ALL OF BLOCK 89 MURUM LAND DISTRICT
AND LOTS 40 – 64 ALL OF BLOCK 90 PUNAN LAND DISTRICT,
SITUATED AT BELAGA DISTRICT, KAPIT DIVISION, SARAWAK**

We refer to your instruction to carry out a formal valuation on the above-mentioned properties in providing our opinion of the total Market Value of the properties for the submission to the Bursa Malaysia Securities Berhad in conjunction with the acquisition of Shin Yang Oil Palm (Sarawak) Sdn. Bhd. ("SYOP") from Shin Yang Holding Sdn. Bhd. ("SYHSB") ("Acquisition").

We have prepared and provided this Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of Market Value and reflects all information known by us and based on present market conditions for the inclusion in the circular to shareholders and abridged prospectus in conjunction with the Acquisition.

The material date of valuation is taken as at 31st March 2016.

This valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of the valuation is Market Value which is defined by the International Valuation Standards (IVS) and the Malaysian Valuation Standards (MVS) to be "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".



VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo**C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)****1) ELEVEN (11) OIL PALM PLANTATIONS****PROPERTIES IDENTIFICATION**

Properties	: Eleven (11) oil palm plantations known as Maleh Estate, Menawan 1 Estate, Menawan 2 Estate, Metanik 1 Estate, Metanik 2 Estate, Penyuan 1 Estate, Penyuan 2 Estate, Penyuan 3 Estate, Sehat Estate, Seping 1 Estate and Seping 2 Estate
Location	: Between Batang Belaga and Sungai Murum, Belaga, Kapit Division, Sarawak
Title Type	: State Land Folio
Title Particulars	: Lots 30 – 42 all of Block 89 Murum Land District; and Lots 40 – 64 all of Block 90 Punan Land District (based on Alienation of State Land approval Ref.: 37/HQ/AL/17/99 (7D) dated 3rd February 2016)
Total Land Area Under Valuation as per Alienation Letter dated 03.02.2016	: 47,000.0 hectares, more or less *
Tenure as per Alienation Letter dated 03.02.2016	: Leasehold 60 years from the date of provisional lease
Beneficial Owner of the subject properties as per Alienation Letter dated 03.02.2016	: SHIN YANG OIL PALM (SARAWAK) SDN. BHD.
Encumbrances	: Nil

***NOTE :** The subject lands are based on approval letter of alienation of State Land for plantation purposes with 60 years leasehold from Lands and Surveys Kapit's letter bearing reference 37/HQ/AL/17/99 (7D) dated 3rd February 2016 and are currently in the process of obtaining new document of land titles (i.e. provisional leases).

GENERAL DESCRIPTION

The subject properties are clustered parcels of lands situated between Batang Belaga and Sungai Murum within Belaga District of the Kapit Division, Sarawak. It is about 50.0 km North of Belaga town and about 30.0 km West of the Sungai Asap Resettlement. The subject properties are accessible from the Bintulu-Belaga road from near Tubau passing South of the Asap Resettlement, through the Batang Belaga bridge and passing through Anding Trading, a R&R area, which leads to the logging roads that traverse the entire subject properties.

Presently, 23,798.60 hectares out of the total titled land area of 47,000.00 hectares are planted with oil palms with remaining land is being utilized for areas awaiting planting, development area, nurseries/buildings, roads/drains, buffer zones, quarry, SEB tower and unplanted reserves. The terrain of the estate is generally hilly and of mineral soil.

VALUATION CERTIFICATE (CONT'D)



C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

Existing Use

Summary of hectareage statement for the estate as provided by SOPB are as follows:-

Description	Penyuan 1 Estate	Penyuan 2 Estate	Penyuan 3 Estate	Sehat Estate	Seping 1 Estate	Seping 2 Estate	Metanik 1 Estate	Metanik 2 Estate	Menawan 1 Estate	Menawan 2 Estate	Maleh Estate	Total (Hectare)
Year of Planting												
Planted (Mature)												
YOP 2000	119.40											
YOP 2001	253.50											
YOP 2002	315.10											
YOP 2003	961.20				281.84							
YOP 2004	322.40				745.46		443.42	91.90	687.23			
YOP 2005	472.20				162.23		1,079.72	324.48	324.39	645.32		
YOP 2006					65.61		356.40	1,382.92	502.64	327.20		
YOP 2007					123.54	162.69	467.57	85.60	380.58	120.98		
YOP 2008							192.90	360.99	32.66	418.77		
YOP 2009		321.18					180.01	159.01				
YOP 2010		153.88	265.98	299.42								
YOP 2011		778.43	230.77	243.69		171.21	30.25					
YOP 2012		865.61	383.68	169.20		240.12				207.31	171.76	
Total Mature	2,443.80	2,119.10	880.43	712.31	1,378.68	574.02	2,750.27	2,404.90	1,927.50	1,719.58	171.76	17,082.35
Planted (Immature)												
YOP 2013		356.00	536.86	469.34	8.58	94.77				184.77	188.70	
YOP 2014	4.60	333.98	377.41	339.43	44.64	370.18	6.87	4.11	90.54	539.78	228.75	
YOP 2015	8.43	281.82	435.30	684.26	70.31	229.57	21.04	102.78	179.24	219.25	109.26	
YOP 2016		1.97	61.06	10.68	15.88	41.47		7.51			57.11	
Total Immature	13.03	973.77	1,410.63	1,503.71	139.41	735.99	27.91	114.40	269.78	943.80	583.82	6,716.25
TOTAL PLANTED	2,456.83	3,092.87	2,291.06	2,216.02	1,518.09	1,310.01	2,778.18	2,519.30	2,197.28	2,663.38	755.58	23,798.60 (1)

VALUATION CERTIFICATE (CONT'D)

**C H Williams Talhar Wong & Yeo****C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)**

The summary of the estate areas is as follows:-

Other Components	
Balance Plantable Area (2)	6,772.90
Nursery Area	15.82
Building, Infrastructure	54.27
Facilities & Amenities Area	0.35
Buffer zone **	106.90
SEB Tower **	34.70
JKR Murum Road **	6.30
Quarry/Stone	4.50
Road	1,983.80
Stamping (collection point)	4.20
Ramp	1.40
Culvert Mill	0.47
Areas under conservation and green belt as per EIA approval (7) NREB/6-1172 (Sub-section 3.2.2) (lake, pond, river, swamp, very steep slope (areas with more than 33°)) (3)	916.70
Others declared unplantable areas but for enrichment planting as per EIA approval (7) NREB/6-1172 (Sub-section 3.2.2) (areas with slope of more than 25 ° but less than 33° for enrichment planting such as planted forest e.g. Acacia Mangium) (4)	13,299.02
Total for other area/component:	23,201.33
TOTAL ESTATE AREA	46,999.93
Shortfall	0.07
Total Title Land Area	47,000.00
Total Area Adopted for Valuation	47,000.00
(1) Total Planted Area – comprising of 23,798.60 hectares (equivalent to 50.63% of the total land area)	
(2) Balance Plantable Area – comprising of 6,772.90 hectares (equivalent to 14.41% of the total land area)	
(3) Areas under conservation and green belt – comprising of 916.70 hectares (equivalent to 1.95% of the total land area)	
(4) Others declared unplantable areas but for enrichment planting – comprising of 13,299.02 hectares (equivalent to 28.30% of the total land area)	
** Area to be excluded in the title upon issuance of provisional lease (see Alienation Letter's Special Condition (iv) & (v) – Appendix LS)	
Source: SYOP (Sarawak) Sdn. Bhd.	

VALUATION CERTIFICATE (CONT'D)

**C H Williams Talhar Wong & Yeo**

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

Age Profile

Age profile of the oil palms on Maleh, Menawan 1 & 2, Metanik 1 & 2, Penyuan 1, 2 & 3, Sehat, Seping 1 & 2 Estates is tabulated below:-

Categories	Years	Maleh Estate		Menawan 1 Estate		Menawan 2 Estate		Metanik 1 Estate		Metanik 2 Estate		Penyuan 1 Estate		Penyuan 2 Estate		Penyuan 3 Estate		Sehat Estate		Seping 1 Estate		Seping 2 Estate			
		Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%	Area (Ha.)	%		
Extended	>25	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%		
Old	19-25	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%		
Mature	15-18	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%		
Mature, Prime	9-14	-	0%	1,514.26	68.92%	972.52	36.51%	1,879.54	67.65%	1,799.30	71.42%	372.90	15.18%	-	0%	-	0%	-	0%	-	0%	1,255.14	82.68%	-	0%
Mature, Young	4-8	171.76	22.73%	413.24	18.81%	747.06	28.05%	870.73	31.34%	605.60	24.04%	2070.90	84.29%	2,119.1	68.52%	860.43	38.43%	712.31	32.14%	123.54	8.14%	574.02	43.82%	-	0%
Immature	0-3	583.82	77.27%	269.78	12.28%	943.80	35.44%	27.91	1.01%	114.40	4.54%	13.03	0.53%	973.77	31.48%	1,410.63	61.57%	1,503.71	67.86%	139.41	9.19%	735.99	56.18%	-	0%
Total		755.56	100%	2,197.28	100%	2,683.38	100%	2,778.16	100%	2,519.30	100%	2,456.83	100%	3,092.87	100%	2,291.06	100%	2,216.02	100%	1,518.09	100%	1,310.01	100%	1,310.01	100%

Source : WTWY & SYOP (Sarawak) Sdn. Bhd.

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

GENERAL DESCRIPTION**Buildings**

Erected on the Maleh Estate, Menawan 1 Estate, Menawan 2 Estate, Metanik 1 Estate, Metanik 2 Estate, Penyuan 1 Estate, Penyuan 2 Estate, Penyuan 3 Estate, Sehat Estate, Seping 1 Estate and Seping 2 Estate are estate office, executive quarters, staff quarters, labour quarters, surau, church, clinic, canteens/rations, guard house, workshops, stores, warehouses and genset buildings.

Road

The estates are served by a network of motorable graveled and laterite roads. All the fields are accessible. Generally, the roads are aligned following land contours and are overall in fair condition.

Crop Production

Yield per hectare per annum based on the planted area within the estates, as provided by Shin Yang Oil Palm (Sarawak) Sdn. Bhd. are as follows:-

No.	Estate	Yield per hectare	
		2014	2015
1.	Maleh	-	1.29
2.	Menawan 1	8.62	9.91
3.	Menawan 2	8.92	11.37
4.	Metanik 1	9.10	10.66
5.	Metanik 2	11.72	12.75
6.	Penyuan 1	24.44	25.63
7.	Penyuan 2	1.22	2.66
8.	Penyuan 3	2.16	3.43
9.	Sehat	1.54	3.98
10.	Seping 1	14.64	19.71
11.	Seping 2	2.88	3.22

Source : SYOP (Sarawak) Sdn. Bhd.

The average OER and KER recorded by the estates for the past 4 and ¼ years are as follows:-

	2012	2013	2014	2015	Mar-16	Average (2012 – 2015)
OER (%)	22.66%	22.94%	23.55%	23.65%	24.08%	23.20%
PKER (%)	4.37%	4.96%	4.91%	4.75%	4.98%	4.75%

Source : SYOP (Sarawak) Sdn. Bhd.

Production Cost

The production costs which involve general charges, upkeep cost and harvesting or transportation costs as provided by SYOP (Sarawak) Sdn. Bhd. are tabulated below:-

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VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

GENERAL DESCRIPTIONProduction Cost (Cont'd)Menawan 1 & 2 Estates

Description	MENAWAN 1				
	Year 2012	Year 2013	Year 2014	Year 2015	As at March 2016
	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha
(A) General Charges	1,329.14	832.24	978.30	1,619.92	1,151.63
(B) Upkeep Cost	1,690.61	1,398.05	2,792.43	4,143.60	2,483.78
(C) Harvesting Cost	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt
Harvesting & collection	45.98	41.99	40.40	38.76	39.74
Transport to Mill	68.89	14.87	11.92	10.51	13.13

Source : SYOP (Sarawak) Sdn. Bhd.

Description	MENAWAN 2				
	Year 2012	Year 2013	Year 2014	Year 2015	As at March 2016
	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha
(A) General Charges	584.99	601.14	990.57	1,012.75	831.60
(B) Upkeep Cost	1,858.99	1,582.03	2,035.72	2,929.23	2,002.40
(C) Harvesting Cost	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt
Harvesting & collection	61.84	49.45	44.42	42.93	40.32
Transport to Mill	125.76	21.43	20.52	23.69	10.34

Source : SYOP (Sarawak) Sdn. Bhd.

Metanik 1 & 2 Estates

Description	METANIK 1				
	Year 2012	Year 2013	Year 2014	Year 2015	As at March 2016
	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha
(A) General Charges	1,175.28	1,039.35	932.72	1,089.95	966.95
(B) Upkeep Cost	1,140.58	2,684.21	2,363.07	3,455.24	2,894.84
(C) Harvesting Cost	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt
Harvesting & collection	42.87	34.35	33.79	38.79	43.17
Transport to Mill	77.04	40.28	60.07	54.26	35.40

Source : SYOP (Sarawak) Sdn. Bhd.

Description	METANIK 2				
	Year 2012	Year 2013	Year 2014	Year 2015	As at March 2016
	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha
(A) General Charges	484.03	453.87	370.62	755.93	509.16
(B) Upkeep Cost	1,498.44	3,204.22	2,325.19	2,697.40	2,537.00
(C) Harvesting Cost	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt
Harvesting & collection	41.47	26.76	30.38	39.57	42.66
Transport to Mill	39.62	16.24	35.25	46.12	25.38

Source : SYOP (Sarawak) Sdn. Bhd.

Penyuan 1, 2 & 3 Estates

Description	PENYUAN 1				
	Year 2012	Year 2013	Year 2014	Year 2015	As at March 2016
	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha
(A) General Charges	1,197.69	1,084.90	1,120.90	934.94	625.00
(B) Upkeep Cost	2,908.44	3,493.73	2,193.74	2,121.48	1,577.97
(C) Harvesting Cost	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt
Harvesting & collection	39.42	36.24	37.28	36.67	35.02
Transport to Mill	41.41	43.62	42.18	39.69	70.53

Source : SYOP (Sarawak) Sdn. Bhd.

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

GENERAL DESCRIPTIONProduction Cost (Cont'd)Penyuan 1, 2 & 3 Estates

Description	PENYUAN 2			PENYUAN 3		
	Year 2014	Year 2015	As at March 2016	Year 2014	Year 2015	As at March 2016
	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha
(A) General Charges	1,627.48	932.36	569.56	1,505.79	1,747.61	748.06
(B) Upkeep Cost	1,167.62	314.05	756.05	1,868.49	3,603.76	862.31
(C) Harvesting Cost	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt
Harvesting & collection	43.41	62.97	62.87	1.06	38.91	51.89
Transport to Mill	77.82	33.34	43.97	41.41	24.13	43.59

Source : SYOP (Sarawak) Sdn. Bhd.

Sehat & Seping 1 Estates

Description	SEHAT (*share costs with Penyuan 3 prior Yr.2015)		SEPING 1				
	Year 2015	As at March 2016	Year 2012	Year 2013	Year 2014	Year 2015	As at March 2016
	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha	RM/Ha
(A) General Charges	1,481.42	1,029.62	2,431.92	1,941.25	1,695.01	2,382.45	1,445.83
(B) Upkeep Cost	2,021.70	1,440.82	3,136.46	4,131.54	4,300.54	3,691.10	2,404.35
(C) Harvesting Cost	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt	RM/mt
Harvesting & collection	10.08	32.92	21.15	39.87	35.28	11.22	8.79
Transport to Mill	45.62	30.65	60.07	47.28	52.39	48.46	44.30

Source : SYOP (Sarawak) Sdn. Bhd.

The plantation development expenditure as 30 June 2015 is **RM335,905,145.00**

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VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

GENERAL DESCRIPTIONPlanning Provisions

The subject properties are designated for agricultural use (oil palms) as per the Special Conditions in the Alienation of State Land approval Ref.: 37/HQ/AL/17/99 (7D) dated 3rd February 2016.

MARKET VALUEMethod of Valuation

In arriving at the Market Value of the subject properties, we have adopted the Investment Method (Discounted Cash Flow) of valuation which we consider to be the most appropriate method.

With this method, the annual income accruing to the oil palm is estimated based on yield and long term average price of the crop. From this is deducted the costs of production and the nett income is then capitalized at the appropriate rate of return for the remaining cropping life of the oil palm to obtain the value of the present crops. To this is added the scrub value or basic land value to which the land reverts at the end of the economic life of the cultivations, the basic land value being deferred (discounted) for the period. Where additional buildings are considered to be required or additional roads or gravelling of roads, this is deducted as capital expenditure from the capitalized income.

We also use the Comparison Method comparing the subject properties with oil palm estates sold and making due adjustments for location, accessibility, topography, soil, cultivations, title restrictions, if any, and other relevant characteristics to arrive at the market value of the subject properties.

The Comparables sales or Comparison Method is used to cross check the valuation obtained by the Investment Method (Discounted Cash Flow), providing the range of values being realized for comparable properties and with which the values arrived at by the Investment should be reconciled making due adjustments for age, yields, location and terrain/soils of the respective palms. As the differences, might be very significant and adjustments difficult, we have not relied on the Comparison Method but only made reference to the sales evidence as rough guide and range of realisable/realistic values.

Justification of Parameters Adopted in Valuation - Investment Method (Discounted Cash Flow)

We have adopted the following parameters in our Investment Method (Discounted Cash Flow) of Valuation:-

(a) Oil Palm : Long Term Average Price (LTAP)

Based on our analysis of the previous prices (RM/ton) of Crude Palm Oil (CPO) and Palm Kernel (PK) and other price projections by industry analysts, we have adopted a long term average price of RM2,556.37/- for CPO and RM1,675.48/- for PK. From this is deducted the relevant tax and transportation cost and multiplied by the oil and kernel extraction rates at 20.50% and 4.50% respectively to arrive at the value of CPO/PK per metric tonne of FFB.

We have further deducted the mill processing cost to arrive at the LTAP of RM490/- per tonne of FFB. A price discount ranging from 15% to 30% is taken into account for FFB for the first and second years (third and fourth years) of harvesting respectively due to lower oil extraction rates from the smaller bunches.

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

MARKET VALUEJustification of Parameters Adopted in Valuation - Investment Method (Discounted Cash Flow)
Cont'd)

(b) Life Span

We have adopted a total life span of 25 years for oil palm from planting out to falling for replanting; 3 years or 36 months (Years 1 to 3) to maturity and cropping life thereafter of 22 years (Years 4 to 25).

(c) Oil Extraction Rate (OER) & Kernel Extraction Rate (KER)

As the palms grow older, the OER% and KER% will be further increased. MPOB's official data reveals that Sarawak enjoys a good oil extraction rate (OER) within the whole Malaysia.

The OER performance for Sarawak oil palms can be seen more clearly from the table below:-

Comparison of annual performance of OER 2011 - March 2016 (%)

	2012	2013	2014	2015	Jan-March 2016	Average (%)
P. Malaysia	19.98	19.86	20.19	20.01	19.65	19.94
Sabah	21.02	21.05	21.49	21.57	21.51	21.33
Sarawak	20.42	20.12	20.43	20.15	20.11	20.25
Sabah/Sarawak	20.81	20.71	21.10	20.99	20.89	20.90
Malaysia	20.35	20.25	20.62	20.46	20.22	20.38
Source : MPOB						

The KER% performance for Sarawak is contained in the table below.

Comparison of annual performance of PK 2012 - March 2016 (%)

	2012	2013	2014	2015	Jan-March 2016	Average (%)
P. Malaysia	5.48	5.53	5.56	5.45	5.46	5.50
Sabah	4.76	4.80	4.83	4.80	4.80	4.80
Sarawak	4.35	4.31	4.32	4.21	4.23	4.28
Sabah/Sarawak	4.61	4.62	4.64	4.56	4.89	4.66
Malaysia	5.10	5.12	5.13	5.04	5.05	5.09
Source : MPOB						

We must point out that FFB price per tonne payable by a mill is pegged to the MPOB's monthly average prices of crude palm oil (CPO) and the crude palm kernel (CPK) according to the OER and KER awarded to FFB sent to the mill.

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

MARKET VALUE**Justification of Parameters Adopted in Valuation - Investment Method (Discounted Cash Flow) Cont'd)**

The FFB price (mill gate) for January – March 2016 is contained in the table below.

Monthly FFB Price (Mill Gate) for the past 3 months – January to March 2016

Monthly FFB Reference Price (Mill Gate)						
Region	Grade A		Grade B		Grade C	
January 2016						
	OER	RM/Tonne	OER	RM/Tonne	OER	RM/Tonne
Sabah*	22%	469	21%	449	20%	430
Sarawak**	22%	473	21%	453	20%	433
February 2016						
	OER	RM/Tonne	OER	RM/Tonne	OER	RM/Tonne
Sabah*	22%	513	21%	492	20%	470
Sarawak**	22%	520	21%	498	20%	476
March 2016						
	OER	RM/Tonne	OER	RM/Tonne	OER	RM/Tonne
Sabah*	22%	563	21%	540	20%	516
Sarawak**	22%	556	21%	533	20%	509
Note : * Sandakan, Lahad Datu & Tawau; ** : Miri & Bintulu						
Source : MPOB						

We shall adopt the long term average OER of 20.5% and KER of 4.5% for the oil palm crops on the subject properties in our valuation. The OER of 20.5% and KER of 4.5% OER adopted are fair and reasonable as compared with the average industry standards in Sarawak and are market rates awarded by mills and published in MPOB.

(d) Yield

We have adopted the yield profile as follows:-

Oil Palm Yield: Soil Suitability Classes	AGES																								
	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25		
Class 2	8	16	21	25	27	28	30	30	30	30	29	28	27	26	25	24	23	22	22	21	20	19			
Class 3	7	14	18	21	25	27	27	27	27	27	26	25	24	23	23	21	21	20	19	18	17	17			

Note : Yield in tonne per hectare; Assume 135 stands per hectare

For the projection of yield, we have considered the projected yield profile of oil palm for inland soils based on industrial standard as per the soil type / series. We have adopted Soil Type/Series 2 & 3 as the projection of yield for oil palm within the estates as provided by SOP Berhad and SYOP (Sarawak) Sdn. Bhd. Due adjustments have been made to the standard yield profile in accordance with the actual yield over the years, stand per hectare and field condition. The adopted yield profiles are considered fair and reasonable as compared with the overall market industry standards after making the necessary adjustments. The source for projected yield based on the soil type series is from research papers, information from big plantation companies and past experiences in the valuation of oil palm plantation in Peninsular Malaysia, Sabah and Sarawak.

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo**C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)****MARKET VALUE****Justification of Parameters Adopted in Valuation - Investment Method (Discounted Cash Flow) (Cont'd)****(e) Production Cost**

From the estates records and costs from comparable oil palm estates, we have projected the following average costs over the remaining cropping life of mature oil palm.

Description	Production Cost Adopted
General Charges (RM/HA)	1,200.00
Field Upkeep & Cultivation (RM/HA)	3,002.00
Total	4,202.00
Harvesting / Transport (RM / Metric Tonne)	
Maleh Estate	102.00
Menawan 1	82.00
Menawan 2	67.00
Metanik 1	67.00
Metanik 2	66.00
Penyuan 1	98.00
Penyuan 2	91.00
Penyuan 3	88.00
Sehat	88.00
Seping 1	87.00
Seping 2	89.00
Source : WTWY & SYOP (Sarawak) Sdn. Bhd.	

(f) Development Cost

For the purpose of this valuation, we had relied upon the development cost as provided by SOPB and made some adjustments and variation to arrive at our costs of development. We have adopted the following costs of development:-

Upkeep & Maintenance	Year 1	Year 2	Year 3
	RM/ha	RM/ha	RM/ha
Manuring	1,000.00	1,500.00	1,800.00
Planting/supply	200.00	200.00	200.00
Weeding	250.00	300.00	300.00
Covers & Shade	250.00	150.00	100.00
Pest and disease	350.00	200.00	150.00
Pruning & Sanitation	50.00	50.00	100.00
Supervision	30.00	30.00	30.00
Infrastructure	400.00	400.00	400.00
Tools	20.00	20.00	20.00
Total Field Upkeep, RM/Ha	2,550.00	2,850.00	3,100.00
Source : WTWY & SYOP (Sarawak) Sdn. Bhd.			

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo**C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)****MARKET VALUE****Justification of Parameters Adopted in Valuation - Investment Method (Discounted Cash Flow)**
(Cont'd)**(g) Rates of Return**

We have adopted a Rate of Return on capital of 9.00% for capitalizing the net income from the mature oil palm, 9.75% for capitalizing the net income from the immature (near maturity) oil palm and a Rate of Return of 4.50% for deferring (discounting) the basic land value which is reverted to at the end of the cropping life, having due consideration and for the risks of yield and price viz. income fluctuations, and of pest and disease associated with oil palm.

(h) Basic Land Value

This is the value of the land at the end of the economic life of the cultivation drawn by comparison of similar land in vicinity for unimproved land plus infrastructure cost and estate buildings. The unimproved land value is arrived at based on the following four (4) comparables.

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VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

MARKET VALUEJustification of Parameters Adopted in Valuation - Investment Method (Discounted Cash Flow)
(Cont'd)

(h) Basic Land Value (cont'd)

Comparables	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Source	JPPH	JPPH	WTWY	JPPH
Lot No	Lots 30, 31, 32, 33	Lot 81 Block 5	Lot 1226 and 7 other lots	Lot 21 Block 1
Mukim	Dulit Land District	Balingian Land District	Sedilu Gedong Land District	Balingian Land District
District	Miri	Mukah	Gedong	Mukah
Location	Batang Tinjar, Miri	Coastal Road Rizab, Mukah	Gedong, Simunjan	Balingian, Mukah
Land area (hectare)	5,609.00	4,000.00	5,602.00	1,110.00
Type/cultivation	Vacant land	Vacant land	Partially planted/developed and transacted at RM73.5 mil (70% share) out of which 583.077 ha (10.48%) planted with 2 to 5 years planting valued at RM34 mil, 906 ha (16.29%) in the course of planting valued at RM15 mil and 4,072.523 ha (73.23%) greenfield for the balance area valued at 56 mil.	Vacant land
Soil Type	Mineral	Peat	Peat	Peat
Share transacted	100%	100%	70%	100%
Tenure/Restriction	Leasehold 60 years (To expire on 12/5/2075)	Leasehold 60 years (To expire on 11/10/2064)	Leasehold 60 years	Leasehold 60 years
Vendor	Stable Worldwide SB	Saradu Plantation SB	Sawit Green Plantation SB	Kendaie Oil Palm Plantation
Purchaser	Koperasi Serbaguna Malaysia Bhd	Jobenar Raya SB	TH Plantations Berhad	Lembaga Amanah Kebajikan Negeri Sarawak
Date of Transaction	28-May-2015	16-Jan-2012	11-Nov-2011	19-Jan-2011
Consideration	RM42,273,354.00/-	RM29,652,000.00/-	RM39,200,000.00/-	RM8,075,285.00/-
Land Value Before Adjustment (RM/hectare)	RM7,536.70/-	RM7,413.00/-	RM13,750.68/-	RM7,275.03/-
Adjustments	Time, Location/Access, Soil Type, Terrain & Quantum (Size).			
Land Value After Adjustment (RM/hectare)	RM8,663.44/-	RM8,372.98/-	RM15,531.40/-	RM8,610.00/-
Source: JPPH, WTWY research & database Notes: JPPH denotes Jabatan Penilaian & Perkhidmatan Harta (JPPH), Miri WTWY denotes C H Williams Talhar Wong & Yeo Sdn Bhd				

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VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

MARKET VALUEJustification of Parameters Adopted in Valuation - Investment Method (Discounted Cash Flow)

(h) Basic Land Value (Cont'd)

From the above analysis, the adjusted basic land values range from RM8,372.98 to RM15,531.40 per hectare. We have considered Comparable 1 as the most appropriate comparable to the subject properties as it is the most recent sale. Hence, we have adopted the unimproved land value at RM8,600/- per hectare.

As for other components in the estates such as plantable areas, nursery area, quarry/stone area, stamping and ramp area, culvert mill area and areas declared as unplatable but for enrichment planting as per EIA, we made allowances from unimproved land value and basic land value to arrive at the land values.

The basic land value is derived by aggregating the unimproved land value with the estate's infrastructure cost such as buildings and roads as well as the value of the land occupied by the estate's infrastructure.

The value of infrastructures and the basic land value adopted is as follows:-

No.	Estate	Value (RM/ha)				
		Unimproved Land Value	Cost of Estate Buildings	Cost of Estate Roads, Water Piping & Electricity	Total Basic Land Value	Say,
1	Maleh	8,600.00	564.58	3,250.62	12,415.20	12,400.00
2	Menawan 1	8,600.00	791.71	7,584.87	16,976.58	16,900.00
3	Menawan 2	8,600.00	854.55	5,330.28	14,784.83	14,700.00
4	Metanik 1	8,600.00	1,109.97	5,945.47	15,655.44	15,600.00
5	Metanik 2	8,600.00	1,224.03	6,004.28	15,828.31	15,800.00
6	Penyuan 1	8,600.00	978.28	5,945.04	15,523.32	15,500.00
7	Penyuan 2	8,600.00	280.50	8,622.80	17,503.30	17,500.00
8	Penyuan 3	8,600.00	483.49	8,299.53	17,383.02	17,300.00
9	Sehat	8,600.00	499.86	7,247.73	16,347.59	16,300.00
10	Seping 1	8,600.00	1,095.12	7,156.58	16,851.70	16,800.00
11	Seping 2	8,600.00	976.66	6,339.85	15,916.51	15,900.00

Source : WTWY & SYOP (Sarawak) Sdn. Bhd.

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VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo



C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

MARKET VALUEComparison Method

We have considered the following precedent transactions involving oil palm estates:-

Comparable	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Source	JPPH/WTWY	JPPH/WTWY	JPPH/WTWY	JPPH/WTWY	WTWY
Lot	Lot 1037 Bijat Land District and 16 other lots	Lot 15 Dulit Land District	Lot 56 Sawai Land District	Lot 9 & 12, Block 16 Kemena Land District	Lot 1 Block 9 Suai Land District
Locality	Tisak, Skrang, Sri Aman	off Jalan Belinai/Bakong, Miri	off Jalan Miri-Bintulu	Sungai Azang, Bintulu	Suai, Niah
Tenure	Leasehold 99 years	Leasehold 60 years	Leasehold 60 years	Leasehold 60 years	Leasehold 60 years
Type	Oil Palm Estate	Oil Palm Estate	Oil Palm Estate	Oil Palm Estate	Oil Palm Estate
Land Area (hectares)	8,973.00	5,000.00	4,857.00	3,963.70	3,720.00
Share transacted	100%	100%	100%	100%	100%
% Planted	99% planted; 1% unplanted	43% planted; 57% unplanted	60% planted; 40% unplanted	65% planted; 35% unplanted	70% planted; 30% unplanted
Soil	100% Peat	100% Mineral	100% Mineral	100% Mineral	100% Mineral
Age	1 to 4 years	8 to 12 years	1 to 21 years	3 to 11 years	13 to 15 years
Date of Transaction	23/01/15	25/08/11	11/08/11	07-07-11	01-06-11
Consideration	RM506,231,365.00	RM102,000,000.00	RM118,000,000.00	RM244,107,702.00	RM118,188,000.00
Vendor	Tranvale Plantation Sdn. Bhd.	Koperasi Serbaguna Malaysia Berhad	Sheba Resources Sdn. Bhd.	MK Ting Corporation Sdn. Bhd.	Sachiew Plantations Sdn. Bhd.
Purchaser	TH Estates (Holdings) Sdn. Bhd.	Kronos Plantation Sdn. Bhd.	RH Plantations Sdn. Bhd.	Hub Zone SB & BuildChem Asia Sdn. Bhd.	Yuwang Plantation SB, Goldhill Innovation Sdn. Bhd. & See Hong Chen & Sons Sdn. Bhd.
Land Value Before Adjustment (per hectare)	RM56,417.18/-	RM20,400.00/-	RM24,294.83/-	RM61,585.82/-	RM31,770.96/-
Adjustments	Time, Location/Access, Tenure, Soil Type, Terrain, Upkeep & Maintenance & Quantum (Size).				
Land Value After Adjustment (per hectare)	RM17,559.85/-	RM13,923.00/-	RM19,344.76/-	RM3,510.39/-	RM19,964.08/-
Source: JPPH, WTWY research & database					
Notes: JPPH denotes Jabatan Penilaian & Perkhidmatan Harta (JPPH), Miri					
WTWY denotes C H Williams Talhar Wong & Yeo Sdn Bhd					

From the above analysis, the adjusted land values for oil palm estates range from RM3,510.39 to RM19,964.08 per gross hectare. We have considered Comparable 3 as the most appropriate comparable due to its similarity in percentage of planted areas as compared with the subject properties.

Having considered the above evidences of sale, the present market trends, the ability of the subject plantation producing fresh fruit bunch and good infrastructure on the subject land, we are of the opinion that the most probable market value based on the recent transacted oil palm properties should be RM19,300.00/- per hectare which works out to be RM907,100,000.00/- based on the total land area of 47,000.00 hectares.

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

MARKET VALUE**Reconciliation of Values**

The Market Values derived from Investment Method (Discounted Cash Flow) and Comparison Method is as follows:-

Estate	Investment Method (Discounted Cash Flow) (RM)	Comparison Method (RM)
Maleh	9,369,192.00	907,100,000.00
Menawan 1	86,804,524.40	
Menawan 2	102,494,604.03	
Metanik 1	101,993,151.19	
Metanik 2	96,587,482.22	
Penyuan 1	101,830,867.18	
Penyuan 2	67,194,967.12	
Penyuan 3	64,568,414.77	
Sehat	63,206,163.78	
Seping 1	54,932,155.91	
Seping 2	20,829,159.00	
Other Components	92,958,663.60	
Total	862,769,345.20	
Say ,	862,760,000.00	

Source: WTWY

Since each of the sale evidences has its own unique characteristics which may not be comparable to the subject properties, we have not relied on the Comparison Method of valuation to arrive at the Market Value. However, reference is made to the sale evidences as a rough guide.

The best method of valuation is the Investment Method (Discounted Cash Flow). The valuation from this method is assessed at RM862,760,000/- or an average of about RM18,356.60 per hectare over adopted land area which is generally within the range of the recent sale evidences.

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VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo**C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)****2) METANIK PALM OIL MILL****PROPERTY IDENTIFICATION**

The property : Metanik palm oil mill

Location : Metanik 2 Estate, between Batang Belaga and Sungai Murum, Belaga, Kapit Division, Sarawak

Title Particulars : Lot 32 Block 89 Murum Land District
(based on Alienation of State Land approval Ref.: 37/HQ/AL/17/99 (7D) dated 3rd February 2016)

Description of the property

The subject property, known as Metanik Palm Oil Mill is sited at Metanik 2 Estates within Lot 32 Block 89 Murum Land District, Kapit, Sarawak.

Metanik Palm Oil Mill has a processing capacity of 60-ton of oil palm fruits per hour with operations started since 2012. The Mill is operated under Lesen No. 563162004000 Akta Lembaga Minyak Sawit Malaysia 1998, dan Peraturan-Peraturan Lembaga Minyak Sawit Malaysia (Perlesenan) 2005 for 1 year term effective 01/08/2015 and expiring on 31/07/2016 and Sarawak State Environment Department License No.001730 issued on 01/08/2012.

Site

Based on the hectarage statement of the estate provided by our client, we noted that the area for the mill is about 5.85 hectares, excluding effluent ponds and housing complex. The balance of the area is basically developed as secondary jungle and oil palm.

The mill site is generally flat in terrain. The mill boundaries are demarcated by chain link fencing. The main entrance to the mill is secured with a sliding metal gate.

The mill is completed with concrete driveway/circulation area and turfing to the remaining areas.

Buildings

The mill complex consists of the main factory building (housing the FFB Reception Station, Sterilizing Station, Threshing Station, Pressing Station, Depericarping Station, Kernel Recovery Station, Clarification Station, Boiler House, and Engine Room), empty bunch disposal building, loading ramp, tank farm, reverse osmosis building, toilet, water treatment pump house, and dining shelter/supervisor room, together with other buildings and structures including a guard house, single storey office cum weighbridge house, motorcycle shed, and workshop. Canteen and staff housing (manager, staff, workers quarters) are sited in short distance from the mill complex.

The buildings are basically constructed of reinforced concrete and steel portal framework, plastered brickwall whilst shed is constructed of open sided steel and concrete framework. Roof is generally of steel framed pitched roof covered over with metal roofing sheets.

Windows are generally of aluminium framed glass panel and adjustable glass louvers whilst doors are generally of flush timber and metal doors. Floor finishes are of generally of cement rendered and ceramic tiles.

The total gross floor area of the above mentioned building is 9,962.63 square metres.

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

GENERAL DESCRIPTIONPlant & machinery

Metanik Palm Oil Mill has a license to operate at a capacity of 200,000 metric tonnes Fresh Fruit Bunches (FFB) per year. The mill has started in year 2012 with capacity of 60-metric tonnes FFB per hour.

Process Flow

The mill consists of FFB reception, sterilising, threshing, pressing, depericarping, kernel recovery, empty bunch disposal, oil clarification, boiler house, engine room, tank farm, raw water treatment/supply, reverse osmosis plant, effluent treatment ponds, dewatering plant, workshop, laboratory and motor vehicles. The FFB are transported from the field to the palm oil mill for the extraction of crude palm oil and producing kernel for sale. The FFB are weighed on the weighbridge and recorded before sending to the unloading ramp. At the unloading ramp, the FFB are loaded into the fruit cages and send to the sterilisation station. The sterilised FFB are transported via the fruit cages and tipped into the thresher for stripping, where the FFB separated into bunches and fruits.

The stripped fruits are conveyed to the digester and the pressing station for crude oil extraction and press cake. The crude oil will be pumped to the clarification tank and distributed into the sludge tank and pure oil tank. The sludge is separated for oil sludge and sludge & dirt. The sludge oil will be sent back to the clarification station, whilst the sludge & dirt will be pumped to the effluent ponds for treatment and dewatering plant for further process. The pure oil after going through the purification and vacuum dryer process will be pumped to the bulk oil storage tank for distribution.

The press cakes are broken and conveyed to the winnowing column and depericarper for separation of nut and fibre. The fibre will be used as fuel for the boiler, whilst the nuts are conveyed to the nut silo. The nuts will be cracked into shells and kernels mixture by the ripple mills in the nut cracker section. The shells and kernels mixtures are separated into shells and kernels via the winnowing system and hydrocyclone. The separated shells are conveyed to the boiler as a source of fuel. The separated kernel will be sent to the kernel drying silo and ready for sale.

Brief descriptions of plant & machinery inclusive of type, capacity, special tools and accessories, age and state of condition are as follows :-

Plant & machinery	Age (years)	State of Condition
FRESH FRUIT BUNCH RECEPTION 1-weighbridge 80-ton cap., 2-loading ramps, 3-feeding conveyors No.1, 2 & 3, 1-cage transfer carriage	4	Fair
STERILISING STATION 2-sterilisers, 4 cages capacity c/w hydraulic system, 20-fruit cages, 15-ton capacity each	4	Fair
THRESHING STATION 1-cage transfer carriage, 1-tipler system, 1-inclined sterilized bunch conveyor, 1-cross sterilised bunch conveyor, 2-threshers, 2-conveyors below thresher, 1- USB crusher, 1-bottom cross screw conveyor, 2-fruit elevators.	4	Fair
PRESSING STATION 1-sterilised bunch cross conveyor, 2-sterilised bunch distribution conveyor, 5-digesters, Wan Yuen Sdn Bhd, Type 1400 OD x 3500 SL, 5-screw press, Model KQY P-15, twin screw type, 1-fruit recycling conveyor, 1-crude oil gutter, 1-sand trap tank.	4	Fair

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

GENERAL DESCRIPTION**Plant & machinery****Process Flow (Cont'd)**

Plant & machinery	Age (years)	State of Condition
DEPERICARPING STATION 1-horizontal cake breaker conveyor, 1-inclined cake breaker conveyor, 1-depericarper, 1-fibre conveyor, 1-nut polisher drum.	4	Fair
KERNEL RECOVERY STATION 1-inclined nut conveyor, 1-destoner system; 2-nut elevators, 1-nut conveyor, 1-nut distribution hopper, 3-ripple mills, 1-cracked mixture elevator, 1st and 2nd stage winnowing system, 1-kernel conveyor, 2-hyrdorcyclone tanks c/w pump set, 2-wet kernel conveyors, 1-wet kernel elevator, 1-wet kernel distribution conveyor, 3-kernel drying silos, 1-dried kernel conveyor, 1-dried kernel pneumatic transport system, 2-bulk kernel silos, 2-dried kernel conveyors, 1-dried kernel elevator, 1-kernel despatch silo, 2-standby shell conveyors, 1-shell pneumatic transport system, 2-shell hoppers. 1-shell conveyor.	4	Fair
EMPTY BUNCH DISPOSAL STATION 1-horizontal empty bunch conveyor, 2-empty bunch super presses, 2-empty bunch presses, 5-pressed empty bunch conveyors.	4	Fair
CLARIFICATION STATION 3-vibrating screens, 1-crude oil tank, 1-skim oil tank, 4-desanding cyclones, 1-sludge tank, 1-reclaim oil tank, 2-continuous settling tanks, 1-standby vibrating screen, 1-sludge holding tank, 1 pure oil tank, 1-decanter feed tank, 2-decanter, 1-decanter solid conveyor, 1-elevated hot water tank, 1-oil purifier feed tank, 2-oil purifiers, 1-vacuum oil dryer c/w vacuum dryer pump, 2-oil transfer pumps, 2-sludge pits, 2-de-oiling tanks, 1-effluent holding tank	4	Fair
BOILER HOUSE 1-Boilermech bi-drum water tube boiler, 3-steam & electric driven feed water pumps, chemical dosage tank, 2-water softener tanks, thermal deaerator, 1-boiler fuel elevator, 1-boiler fuel conveyor	4	Fair
ENGINE ROOM 1-Marelli Generator, turbine cooling water cum condensate tank, 3-Cummins generator sets, Model C900D5, C700D5 & C100D5, 900kVA, 706kVA & 398kVA capacity, c/w Cummins diesel engine, 1- diesel storage tank.	4	Fair
ELECTRICAL INSTALLATION 2-1,600A main switch boards, sub-switchboard, main and sub-main control panels, cabling, wiring, fitting, control panel and standard accessories for normal line installations	4	Fair
TANK FARM 2-CPO storage tanks, 3,000 tons capacity each	4	Fair
WATER TREATMENT/SUPPLY PLANT 4-delivering HDPE piping, 1-raw water reservoir c/w 2-pump sets, 1-water clarifier tank, conical bottom, 1-clarified water tank, 2-sand filters, Watermech Engineering Sdn Bhd, S/N WM/3681/11 & WM/3681/12, mild steel plate welded, 1-elevated water tank, 4-water pumps, electric motor driven, 3-fire fighting water pump, diesel engine / electric motor driven.	4	Fair
REVERSE OSMOSIS PLANT 1-Single Pass BWRO 45-ton/hour capacity c/w 1-RO membrane vessel, 1-RO Brackish Membrane, 1-UF cartridge, PE tank, 1-chemical mixing/dosing tank, 1-cartridge filtration unit, 2-multistage vertical pumps, 1-centrifugal pump, 1-metering pump, 1-RO cleaning skid.	1	Fair

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

GENERAL DESCRIPTION

Plant & machinery

Process Flow (Cont'd)

Plant & machinery	Age (years)	State of Condition
EFFLUENT TREATMENT 11-effluent ponds i.e. cooling pond, 6-anaerobic ponds, facultative pond, 2-aerobic ponds.	4	Fair
DEWATERING PLANT 1-dewatering plant, Green Mark Projects Sdn Bhd, 30-40m ² /hour slurry capacity c/w 1-effluent buffer tank, 1-polymer dosing / effluent polymer homogeneous, 3-dewatering filter presses.	4	Fair
MOBILE EQUIPMENT 1-Toyota Hilux Double Cab 2.5L, Reg.No.QAA9632J, Engine No.2KDU410537, Chassis No.PN133JV2508023132, Year 2014, 1-Toyota Hilux Single Cab 2.5MT, Reg.No.QAA2074K, Engine No.2KDU476868, Chassis No.PN131JV2508020416, Year 2014, 1-Toyota Hilux Single Cab 2.5MT, Reg.No.QAA5919B, Engine No.2KDU024800, Chassis No.PN131JV2508012119, Year 2012	4	Fair

The above plant & machinery have been issued with 'Perakuan Kelayakan' via The Factories and Machinery Act, 1967, The Factories and Machinery (Notification, Certification of Fitness and Inspection) Regulations, 1970 Regulation 10(2) together with registration cards issued by 'Jabatan Pengangkutan Jalan Malaysia'.

Existing Use

Palm Oil Mill.

PLANNING PROVISIONS

The subject property is designated for palm oil mill use as per License No. 563162004000 Akta Lembaga Minyak Sawit Malaysia 1998 dan Peraturan-Peraturan Lembaga Minyak Sawit Malaysia (Perlesenan) 2005 for 1 year term effective 01/08/2015 and expiring on 31/07/2016 and Sarawak State Environment Department License No.001730 issued on 01/08/2012.

MARKET VALUE**Method of Valuation**

The best method to value the subject mill will be on the basis of comparison with recent sales of similar palm oil mill in the locality. From our investigations, there are no evidences of similar mill in the area to indicate the precise value to prescribe on the subject property.

The buildings and site improvements are valued by Cost Method with reference to their depreciated replacement costs, i.e. the new replacement cost less an appropriate adjustment for depreciation or obsolescence to reflect the existing condition of the buildings and site improvements at the date of valuation.

The plant & machinery are valued by the Depreciated Replacement Cost approach. With this method, the depreciation is deducted from the estimated gross current replacement cost of an asset to derive at its nett replacement cost (Market Value).

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

MARKET VALUEMethod of Valuation (cont'd)

The above method is adopted as there are no readily available recent oil palm mills transactions in the market. Therefore, the Cost Method and Depreciated Replacement Cost Method for the buildings and site improvements and plant & machinery respectively, are the most appropriate method of valuation.

The building values and plant & machinery values are then summated to arrive at the market value of the subject property.

Value Consideration

a) Site Improvement

Based on the information provided to us, we noted that the site improvements (such as preliminaries, site preparation, earthworks, internal & external roads, area drainage, turfing and fencing) were constructed in 2012. In arriving to the values, our reference is made to the estimated improvement costs based on approximately 5.85 hectares of mill site inclusive of profits and financial elements from our analysis of the construction cost of other oil mills and also cross checking with relevant contractors and professionals.

b) Building Value

Description	Quantity	Total Gross Floor Area (m ²)	Building Replacement Cost (RM/m ²)	Building Value After Depreciation, Say (RM)
Guard House	1	56.98	850.00	44,000.00
Mill Office / Weighbridge House	1	330.00	1,200.00	356,000.00
Motorcycle Shed	1	70.00	600.00	38,000.00
Main Factory Building (comprises sterilizing station / threshing station / pressing station / depericarping station / kernel recovery station / clarification station / boiler house / engine room)	1	5,994.00	1,100.00	5,934,000.00
Empty Bunch Disposal Building	1	144.00	1,000.00	130,000.00
Dining Shelter & Supervisor Room	1	40.19	600.00	22,000.00
Workshop	1	720.00	800.00	518,000.00
RO Building	1	128.00	800.00	92,000.00
Toilet	1	27.28	900.00	22,000.00
Water Treatment Pump House	1	63.86	850.00	49,000.00
Waste Store	1	9.00	800.00	6,000.00
Canteen	1	504.00	1,200.00	544,000.00
Manager Quarter (raised floor)	1	348.92	1,200.00	377,000.00
Manager Quarter (single storey)	2	327.23	1,300.00	383,000.00
5-door staff quarters	2	755.11	850.00	578,000.00
6-door labour quarters	1	453.07	800.00	326,000.00
Total Building Value				9,419,000.00
Source : WTWY				

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)

MARKET VALUEValue Consideration (cont'd)

All the buildings and structures were built in year 2012 and the building values are based on reference made to the estimated construction cost inclusive of profits and financial elements from our analysis of the construction cost of other oil mills and also cross checking with relevant contractors and professionals.

Based on the above, we therefore adopted the building value (with site improvements) as follows:-

Description	Market Value
Site Improvements	RM1,728,000/-
Building Value	RM9,419,000/-
Total	RM11,147,000/-

c) Plant & machinery

In determining the value of the plant & machinery using the Depreciated Replacement Cost Method, we are valuing the plant & machinery as a going concern i.e. as a whole use and actively in operation at its working place. Therefore, the cost of removal or displacements and related issues such as time limit arising for the removal of the equipment into another site is not considered and relevant. In this Depreciated Replacement Cost Approach, the "Replacement Cost" of the asset is determined and an allowance is made for physical deterioration and obsolescence as evidenced by the condition at the time of inspection. "Replacement Cost" means no more than cost of modern logical replacement.

The whole mill is valued inclusive of all equipment, ancillary supporting structures and mobile equipment that make up the mill, hence we have not provided this under land and building and there is no element of double counting in the valuation of the subject property.

The basis of cost of equipment on replacements new is based on the asset listings, which is based on the purchase records of the machinery, with due adjustment made to reflect the current set up as at the date of valuation and inclusive of profits and financial elements from our analysis of the construction cost of other oil mills and also cross checking with relevant contractors and professionals.

From the established Cost Replacement New, the appropriate adjustment factor such as life span which through our experience and record, 25 years life span of that particular machine and 10 years life span of mobile equipment are taken into account. For this case, depreciation rate of 10% per annum for equipment / ancillary supporting structures and 15% per annum for mobile equipment are adopted. However, the residual has to reflect the maintenance and upkeep of the equipment so that at the end of economic life, there is still a salvage value remained.

Having considered all factors, like lifespan, yearly depreciation, obsolescence and maintenance and market conditions at the time of our valuation, the market value of plant & machinery is arrived at **RM32,228,000/-**.

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo**C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)****MARKET VALUE**Valuation

Taking into the above factors, we therefore assess the total market value of the subject properties as at the date of valuation and on the **ASSUMPTIONS** that:-

- (1) **THEY ARE FREE FROM ALL ENCUMBRANCES;** ^{Special Note¹}
- (2) **PROVISIONAL LEASES FOR AGRICULTURAL PURPOSES HAVE BEEN ISSUED WITH 60 YEARS LEASEHOLD WITH A TOTAL LAND AREA OF 47,000.0 HECTARES, MORE OR LESS,**
- (3) **THE PLANT & MACHINERY AND MOBILE EQUIPMENT IS TO BE CONTINUED IN ITS PRESENT USE AS A GOING CONCERN;**
- (4) **ALL RELEVANT LICENSES AND PERMITS ARE KEPT VALID AND STATUTORY COMPLIANCES OBSERVED THROUGHOUT THE PRODUCTION LIFE OF THE PLANT & MACHINERY AND MOBILE EQUIPMENT; AND**
- (5) **THERE IS NO SPECIFIC RELATION TO EARNINGS OF THE PLANT & MACHINERY AND MOBILE EQUIPMENT,**

^{Special Note¹} The plant & machinery and mobile equipment is under a fixed charged over the Company's palm oil mill created in favour of HONG LEONG BANK BERHAD.

would be in the region :-

RINGGIT MALAYSIA : NINE HUNDRED AND SIX MILLION ONE HUNDRED AND THIRTY THOUSAND ONLY (RM906,130,000.00/-)

would be assessed as below :-

No.	Description	Total Land Size (Ha.)	Area (Ha.)	Market Value (RM)	Total Market Value (RM), Say
1.	Eleven (11) Oil Palm Estates known As Maleh, Menawan 1 & 2, Metanik 1 & 2, Penyuan 1, 2 & 3, Sehat, Seping 1 & 2 Estates	47,000.00*	23,798.60 (planted area)	769,810,000.00 (Oil Palm Estates) (12,400.00 – 50,400.00 per hectare)	862,760,000.00
			23,201.33 (unplanted area)	92,950,000.00 (8,600.00 – 16,650.00 per hectare) (Other Components such as plantable area, nursery area, quarry/stone area, stamping and ramp areas, culvert mill and areas declared as unplantable)	

VALUATION CERTIFICATE (CONT'D)

C H Williams Talhar Wong & Yeo**C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/1)**

No.	Description (Cont'd)	Total Land Size (Ha.)	Area (Ha.)	Market Value (RM)	Total Market Value (RM), Say
2.	Metanik Palm Oil Mill	** (see note)		11,147,000.00 (Buildings & Site Improvements)	***43,370,000.00
				32,228,000.00 (Plant & Machinery)	
Grand Total :					906,130,000.00
Note : * Land area subject to changes upon final cadastral survey ** Land value has been taken into consideration under Metanik 2 Estate *** Rounded down to the nearest RM10,000/-					

Yours faithfully
for and on behalf of
C H Williams, Talhar, Wong & Yeo Sdn Bhd (24706-T)(VE(1)0082/1)

.....
Sr TING KANG SUNG
B. Bus (Valuation and Land Economy)
MRISM, MPEPS, MIPPM, MRICS
Registered Valuer (V-0566)

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights Shares, no securities shall be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issuance of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (iii) All the Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing issued and paid-up ordinary share capital, save and except that such Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date precedes the date of allotment of such Rights Shares.
- (iv) As at the date of this Abridged Prospectus, save as disclosed below, no person has been or is entitled to be granted an option to subscribe for any of our securities:-
 - (a) The Rights Shares to be provisionally allotted to our Entitled Shareholders under the Rights Issue; and
 - (b) On 15 February 2007, an ESOS for the eligible employees and executive directors of our Group was approved at the EGM of our Company. The ESOS became effective on 12 March 2007 and is in force for a period of ten (10) years.

2. DIRECTORS' REMUNERATION

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:-

Article 103

The Directors shall be paid by way of remuneration for their services such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine. Provided always that:-

- (1) Fees payable to non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (2) Salaries payable to executive Directors may not include a commission on or percentage of turnover.
- (3) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.
- (4) Any fee paid to an Alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

ADDITIONAL INFORMATION (CONT'D)

Article 104

The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board Meetings of the Company.

Article 105

If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors.

Article 131

The Directors may from time to time appoint any one or more of their body to be Managing Director or Managing Directors of the Company and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places.

Article 133

The remuneration of a Managing Director shall from time to time be fixed by the Directors and may subject to these Articles be by way of salary or commission or participation in profits or by any or all of these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

Article 135

The Directors may from time to time appoint any person to be an Associate Director and may from time to time cancel any such appointment. The Directors may fix, determine and vary the powers, duties and remuneration of any person so appointed but a person so appointed shall not be required to hold any shares to qualify him for appointment nor have any right to attend or vote at meetings of Directors except by the invitation and with the consent of the Directors.

3. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years immediately preceding the date of this Abridged Prospectus:-

(i) Purchase of office lot

SOPB Pte Ltd, a subsidiary of our Company, has acquired an office lot known as 133, New Bridge Road #20-09/10, Chinatown Point Singapore, 059413 ("**the Property**") at the purchase price of SGD4,512,000 (equivalent to approximately RM13,581,571), with 7% Good and Services Tax which aggregated to SGD4,827,840 (equivalent to approximately RM14,523,281), from Bonam Fortunam Investments Pte Ltd, via exercising the option to purchase by signing the acceptance copy on 2 December 2015. The purchase price has been fully settled. The Property has then been sold to Asia Oils Investment Pte Ltd (formerly known as Investments Pte Ltd), another subsidiary of our Company, on 16 June 2016, which is an investment holding company.

ADDITIONAL INFORMATION (CONT'D)

(ii) Acquisition of SYOP

On 4 July 2016, SOPB entered into a SSA with SYHSB to acquire the entire equity interest in the issued and paid-up share capital of SYOP from the Vendor and to assume the inter-company balances owing by SYOP to SYFSB, a separate subsidiary of the Vendor, for a total cash consideration of RM873,005,875, to be settled via cash. Our Company and the Vendor are in the process of fulfilling the Conditions Precedent of the SSA, which amongst others, include the completion of the Rights Issue.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, neither SOPB nor its subsidiary companies are engaged in any other material litigation, claim or arbitration, either as plaintiff or defendant, which has or may have a material effect on the financial position or business of SOPB and/or its subsidiary companies and the Board is not aware of any proceedings pending or threatened against SOPB and/or its subsidiary companies or any fact likely to give rise to any proceedings which may materially or adversely affect the financial position or business of our Group.

(i) Writ of Summons served to SOP Plantations (Borneo) Sdn Bhd

On 30 September 2010, SOP Plantations (Borneo) Sdn Bhd, a subsidiary of our Company had been served with a Writ of Summons ("**the Writ**") in the High Court of Sabah and Sarawak at Bintulu under Suit No. 21-06-2010(BTU) ("**Douglas Ding Suit**") wherein it was named as the fifth (5th) defendant along with other defendants which include Government of Sarawak, Director of Forests, Superintendent of Land & Surveys, Kapit and Pusaka KTS Forests Plantation Sdn Bhd. The Douglas Ding Suit was instituted by Douglas Ding Jangan and four (4) others ("**Plaintiff**"), suing on behalf of themselves and also representatives of all the residents of Uma Long Bangan claiming a declaration that they have acquired and/or created NCR over all that parcel of land described as Lot 10 Punan Land district and other related reliefs.

The High Court has made a judgment on 8 August 2014, and the area affected is insignificant and has no material impact to our Group.

On 3 September 2014, the Plaintiff appealed against the judgment of the High Court on 8 August 2014 and similarly, we filed a cross appeal against the same judgment on 4 November 2014.

Subsequently, the native residents of a nearby settlement of Uma Long Bangan, i.e. Uma Kahei, Long Mekero, applied to the Court of Appeal to be added as a party (as respondents) to the same appeal filed by the Plaintiff which was allowed by the Court of Appeal on 20 April 2016. In response, the Plaintiff filed a motion for leave to appeal to the Federal Court against the said Court of Appeal's decision made on 20 April 2016.

The Plaintiff have also filed an application to the Court of Appeal, seeking a stay of their appeal against the High Court's decision of 8 August 2014, until the disposal of the abovesaid motion for leave to appeal to the Federal Court (against the Court of Appeal's decision of 20 April 2016).

On 18 August 2016, the Court of Appeal had granted Douglas Ding Jangan and the residents of Uma Long Bangan a stay of hearing of their appeal pending the disposal of their motion for leave to appeal to the Federal Court. As at the LPD, the Federal Court has not fixed any date to hear the Plaintiff's application.

ADDITIONAL INFORMATION (CONT'D)

5. GENERAL

- (i) There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this Abridged Prospectus.
- (ii) Save as disclosed in this Abridged Prospectus, there are no material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (iii) Save as disclosed in this Abridged Prospectus, the financial conditions and operations of our Group are not affected by any of the following:-
 - (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;
 - (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on our Group's revenue or operating income; and
 - (e) substantial increase in revenue.

6. CONSENTS

Our Principal Adviser, Company Secretary, Principal Bankers, Share Registrar, Bloomberg and the Solicitors for the Rights Issue have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto, in the form and context in which they appear in this Abridged Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consents to the inclusion in this Abridged Prospectus of their names, the accountants' report on the financial accounts of SYOP for the past three (3) financial years up to and including FYE 30 June 2016, the letter on the proforma consolidated statements of financial position of our Group as at 31 December 2015, the audited consolidated financial statements of our Group for the FYE 31 December 2015, and all references thereto, in the form and context in which they appear in this Abridged Prospectus.

Our Valuer has given and has not subsequently withdrawn its written consent to the inclusion in this Abridged Prospectus of its name and its Valuation Certificate and all references thereto, in the form and context in which they appear in this Abridged Prospectus.

ADDITIONAL INFORMATION (CONT'D)

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at the registered office of our Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:-

- (i) the Memorandum and Articles of Association of SOPB;
- (ii) the accountants' report on the financial accounts of SYOP from FYE 30 June 2014 to FYE 30 June 2016 as set out in **Appendix IV** of this Abridged Prospectus;
- (iii) the proforma consolidated statement of financial position of our Group as at 31 December 2015 together with the notes and Reporting Accountants' letter thereon as set out in **Appendix V** of this Abridged Prospectus;
- (iv) the audited consolidated financial statements of SOPB Group for the past two (2) financial years up to and including the FYE 31 December 2015;
- (v) the unaudited consolidated financial statements of SOPB Group for the six (6) month FPE 30 June 2016 as set out in **Appendix VII** of this Abridged Prospectus;
- (vi) the Directors' Report as set out in **Appendix VIII** of this Abridged Prospectus;
- (vii) the Valuation Certificate as set out in **Appendix IX** of this Abridged Prospectus;
- (viii) the consent letters referred to in **Section 6** of this **Appendix X**;
- (ix) the relevant cause papers in respect of the material litigations referred to in **Section 4** of this **Appendix X**;
- (x) the undertaking letters from the Undertaking Shareholders as referred to in **Section 3** of this Abridged Prospectus; and
- (xi) the material contracts referred to in **Section 3** of this **Appendix X**.

8. RESPONSIBILITY STATEMENT

This Abridged Prospectus together with its accompanying documents have been seen and approved by our Board. They collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

RHB Investment Bank, being our Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning this Rights Issue.

NOTICE OF PROVISIONAL ALLOTMENT OF RIGHTS SHARES

All abbreviations used herein shall have the same meaning as those defined in the "Definitions" page of the abridged prospectus dated 15 November 2016 ("Abridged Prospectus") unless stated otherwise. The provisional allotment of Rights Shares (as defined herein) are prescribed securities pursuant to Section 14(5) of the Securities Industry (Central Depositories) Act, 1991 ("SICDA") and therefore, the SICDA and the Rules of Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") shall apply in respect of dealings in the provisional allotment of Rights Shares.



SARAWAK OIL PALMS BERHAD
(Company No. 7949-M)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 127,756,817 NEW ORDINARY SHARES OF RM1.00 EACH IN SARAWAK OIL PALMS BERHAD ("SOPB" OR THE "COMPANY") ("SOPB SHARE(S)" ("RIGHTS SHARE(S)")) ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY SEVEN (7) EXISTING SOPB SHARES HELD AS AT 5.00 P.M. ON 15 NOVEMBER 2016 ("ENTITLEMENT DATE") AT AN ISSUE PRICE OF RM2.80 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE ("RIGHTS ISSUE")

Principal Adviser



RHB Investment Bank Berhad
(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

To: Shareholders of SOPB

Dear Sir/Madam,

The Board of Directors of SOPB ("Board") has provisionally allotted to you, in accordance with the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") dated 22 September 2016 and the ordinary resolution passed by the shareholders at the extraordinary general meeting convened on 10 October 2016, the number of Rights Shares as indicated below ("Provisional Rights Shares").

We wish to advise that the following number of Rights Shares provisionally allotted to you in respect of the Rights Issue have been confirmed by Bursa Depository and upon acceptance, will be credited into the Central Depository System ("CDS") Account(s) subject to the terms and conditions stated in the Abridged Prospectus and the Rights Subscription Form ("RSF") issued by the Company.

The Provisional Rights Shares are made subject to the provisions in the Abridged Prospectus issued by our Company. Bursa Securities has already prescribed the securities of our Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares arising from the Rights Issue are prescribed securities and, as such, all dealings in the Provisional Rights Shares will be by way of book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository.

ALL THE RIGHTS SHARES TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE OR WARRANT CERTIFICATES WILL BE ISSUED.

It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following sequence:-

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Account in our Company as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot calculated based on the quantum of their respective Excess Rights Shares applied for; and
- (iv) fourthly, for allocation to transferee(s) and/or renounee(s) who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares applied for.

After the above sequence of allocations is completed, any balance of Excess Rights Shares will be allocated again through steps (ii)-(iv) above until all Excess Rights Shares are fully allocated.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part II of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in (i)-(iv) above are achieved. Our Board also reserves the right to accept the Excess Rights Application, in full or in part, without assigning any reason.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED SHAREHOLDER

--

NUMBER OF SOPB SHARES HELD AT 5.00 P.M. ON 15 NOVEMBER 2016	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM2.80 PER RIGHTS SHARE (RM)

IMPORTANT RELEVANT DATES AND TIMES:

Entitlement Date.....	Tuesday, 15 November 2016 at 5.00 p.m.
Last date and time for sale of provisional allotment of Rights Shares.....	Tuesday, 22 November 2016 at 5.00 p.m.
Last date and time for transfer of provisional allotment of Rights Shares.....	Friday, 25 November 2016 at 4.00 p.m.
Last date and time for acceptance and payment.....	Wednesday, 30 November 2016 at 5.00 p.m.
Last date and time for excess application and payment.....	Wednesday, 30 November 2016 at 5.00 p.m.

By order of the Board

ERIC KIU KWONG SENG
Company Secretary

Share Registrar
SYMPHONY SHARE REGISTRARS SDN BHD (Company No. 378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 603-7849 0777
Fax: 603-7841 8151/8152

THIS NOTICE OF PROVISIONAL ALLOTMENT IS DATED 15 NOVEMBER 2016.

WARNING: DO NOT DETACH ANY PART OF THIS DOCUMENT AND PLEASE SEND THIS DOCUMENT IN ITS ENTIRETY TO THE SHARE REGISTRAR

NOTES AND INSTRUCTIONS FOR COMPLETION OF THIS RSF

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT, 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS DATED 15 NOVEMBER 2016.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. All enquiries concerning the Rights Issue should be addressed to SOPB's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJJ 1A/46, 47301 Petaling Jaya, Selangor, Malaysia ("Share Registrar"). **YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING THIS RSF.**

The Abridged Prospectus, together with the NPA and RSF is despatched only to the Entitled Shareholders whose names are registered in the Record of Depositors maintained by Bursa Depository at 5.00 p.m. on 15 November 2016 and are not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue complies with the laws of any country or jurisdiction other than the laws of Malaysia. Any Entitled Shareholders and/or their renounee(s) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult your legal adviser as to whether the acceptance or renunciation (as the case may be) of your entitlements to the Rights Issue would result in the contravention of any law of such countries or jurisdictions. SOPB and RHB Investment Bank Berhad shall not accept any responsibility or liability, whatsoever, in the event that any acceptance or renunciation of provisional allotment by any Entitled Shareholders and/or their renounee(s) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

A copy of the Abridged Prospectus has been registered with the Securities Commission Malaysia ("SC"). The registration of the Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Abridged Prospectus, together with the NPA and RSF, has also been lodged with the Companies Commission of Malaysia who takes no responsibility for the contents.

Approval from SOPB's shareholders has been obtained at SOPB's extraordinary general meeting held on 10 October 2016 in relation to the Rights Issue. Approval has also been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") via its letter dated 22 September 2016 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities pursuant to the Rights Issue. The listing of and quotation for the new securities are in no way reflective of the merits of the Rights Issue.

The Board has seen and approved all the documentation relating to the Rights Issue. They, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in the Abridged Prospectus, NPA and RSF false or misleading.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia or "RM" in abbreviation.

INSTRUCTIONS:

(I) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

The last date and time for acceptance of and payment for the Rights Shares is at 5.00 p.m. on 30 November 2016.

(II) FULL OR PART ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES

If you wish to accept all or any part of the Provisional Rights Shares, please complete Part I and Part III of this RSF in accordance with the notes and instructions contained herein and return this RSF, together with the appropriate remittance made in RM for the full amount payable for the Rights Shares accepted in the form of Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia made payable to "SOPB RIGHTS ISSUE ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side with your name, contact number, address and CDS Account number in block letters, so as to be received by the Share Registrar by 5.00 p.m. on 30 November 2016. Cheques or other modes of payment not prescribed herein are not acceptable, except with the approval of our Board.

The remittance must be made in the exact amount payable for the Rights Shares accepted. No acknowledgement of receipt of this RSF or application monies in respect of the Rights Issue will be issued by the Company or the Share Registrar. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address as shown on the Record of Depositors provided by Bursa Depository at your own risk within eight (8) market days from the last date for acceptance of and payment for the Rights Shares or such other period as may be prescribed by Bursa Securities.

(III) APPLICATION FOR EXCESS RIGHTS SHARES

If you wish to apply for additional Rights Shares in excess to your entitlement, please complete Part II of this RSF (in addition to Parts I and III) and forward this RSF with a **separate remittance made in RM** for the full amount payable in respect of the Excess Rights Shares applied for, to the Share Registrar. Payment for the Excess Rights Shares applied for should be made in the same manner described in note (II) above, and in the form of Banker's Draft(s), Cashier's Order(s), Money Order(s) or Postal Order(s) drawn on a bank or post office in Malaysia made payable to "SOPB EXCESS RIGHTS ISSUE ACCOUNT", crossed "ACCOUNT PAYEE ONLY" and endorsed on the reverse side with your name, contact number, address and CDS Account number in block letters so as to be received by the Share Registrar by 5.00 p.m. on 30 November 2016.

No acknowledgement of receipt of this RSF or application monies in respect of the Excess Rights Shares will be issued by the Company or the Share Registrar. However, if your application is successful, a notice of allotment will be despatched to you by ordinary post to the address as shown on the Record of Depositors provided by Bursa Depository at your own risk within eight (8) market days from the last date for application of and payment for the Excess Rights Shares or such other period as may be prescribed by Bursa Securities.

In respect of unsuccessful or partially successful Excess Rights Application, the full amount or the balance of the application monies, as the case may be, shall be refunded without interest and shall be despatched to the applicant by ordinary post to the address as shown on the Record of Depositors provided by Bursa Depository at your own risk within fifteen (15) market days from the last date for application of and payment for the Excess Rights Shares.

It is the intention of our Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following sequence:-

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Account in our Company as at the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares on a pro-rata basis and in board lot calculated based on the quantum of their respective Excess Rights Shares applied for; and
- (iv) fourthly, for allocation to transferee(s) and/or renounee(s) who have applied for Excess Rights Shares on a pro-rata basis and in board lot, calculated based on the quantum of their respective Excess Rights Shares applied for.

After the above sequence of allocations is completed, any balance of Excess Rights Shares will be allocated again through steps (ii)-(iv) above until all Excess Rights Shares are fully allocated.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied for under Part II of the RSF in such manner as it deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in (i)-(iv) above are achieved. Our Board also reserves the right to accept the Excess Rights Application, in full or in part, without assigning any reason.

(IV) SALE/TRANSFER OF THE PROVISIONAL ALLOTMENT OF RIGHTS SHARES

If you wish to sell or transfer all or part of your entitlement to the Provisional Rights Shares to one or more person(s), you may do so immediately through your stockbroker(s) for the period up to the last date and time for sale or transfer of such Provisional Rights Shares, without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Rights Shares, you may sell such entitlement on the open market or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository.

If you have sold or transferred only part of the Provisional Rights Shares, you may still accept the balance of the Provisional Rights Shares by completing Parts I and III of this RSF.

In selling or transferring all or part of your Provisional Rights Shares, you need not deliver any document including this RSF to your stockbroker(s). However, you must ensure that there is sufficient Provisional Rights Shares standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

Transferee(s) and/or renounee(s) of the Provisional Rights Shares may obtain a copy of this RSF from his/her/their stockbroker(s), the Share Registrar, the Registered Office of SOPB or the website of Bursa Securities (<http://www.bursamalaysia.com>).

(V) GENERAL INSTRUCTIONS

- (a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seals. You are advised to read, understand and consider carefully the contents of the Abridged Prospectus before signing this RSF.
- (b) Rights Shares subscribed by the Entitled Shareholders and/or their renounee(s) and/or their transferee(s) (if applicable) will be credited into their respective CDS Accounts as stated in this RSF or the exact accounts appearing on Bursa Depository's Record of Depositors.
- (c) Any interest or other benefit accruing on or arising from or in connection with any application monies shall be for the benefit of the Company and the Company shall not be under any obligation to account for such interest or other benefit to you.
- (d) The contract arising from the acceptance of the Provisional Rights Shares by you shall be governed by and construed in accordance with the laws of Malaysia, and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- (e) The Board reserves the right not to accept or to accept any application in part only if the instructions herein stated are not strictly adhered to or which are illegible.
- (f) Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF. Entitled Shareholders and/or their renounee(s) and/or their transferee(s) (if applicable) should note that the RSF and remittances so lodged with the Share Registrar shall be irrevocable and shall not be subsequently withdrawn.