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Date: 20 NOV 2017

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Level 3, Main Block,
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Dear Sirs,

Executive Summary of the Independent Market Research Report on the Global Palm Oil, Edible Oil, Oleochemicals and Rubber Plantation Industries for Sime Darby Plantation Berhad ("SDP" or the "Company")

We, Frost & Sullivan GIC Malaysia Sdn Bhd ("**Frost & Sullivan**"), have prepared this Executive Summary of the Independent Market Research report on the global palm oil, edible oil, oleochemicals and rubber plantation industries ("**the Report**") for inclusion in SDP's Prospectus dated 28 NOV 2017 ("**Prospectus**") in relation to the listing and quotation of the entire enlarged issued share capital of SDP on the Main Market of Bursa Malaysia Securities Berhad.

We are aware that this Report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under Section 215 of the Capital Markets and Services Act, 2007.

We acknowledge that if we are aware of any significant changes affecting the content of this Report between the date hereof and the issue date of the Prospectus, we have an on-going obligation to either cause this Report to be updated for the changes and, where applicable, cause SDP to issue a supplementary prospectus, or withdraw our consent to the inclusion of this Report in the Prospectus.

Frost & Sullivan has prepared this Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of this Report. We believe that this Report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this Report. This Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this Report or otherwise.

For and on behalf of Frost & Sullivan GIC Malaysia Sdn Bhd:

Keith Lee
Director
Business and Financial Services

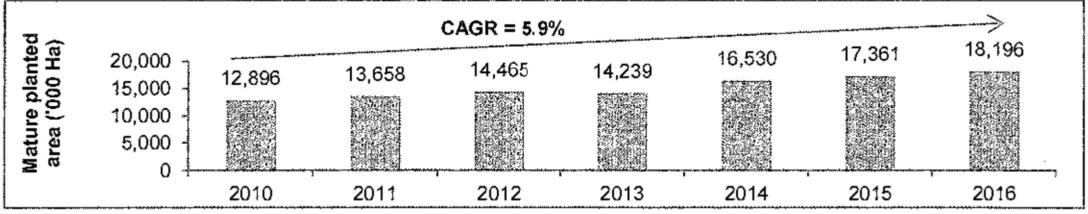
1 ANALYSIS OF THE GLOBAL OIL PALM PLANTATION INDUSTRY

1.1 SUPPLY CONDITIONS

Global

The total mature planted area for oil palm stood at 18.20 million hectares ("**Ha**") in 2016, which had increased by 4.6% from 2015. Oil palm cultivation accounted for approximately 6.6% of the total harvested area across 10 global oilseeds cultivation.

Chart 1-1: Global oil palm mature planted area, 2010 - 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

In Asia, oil palm plantations are largely found in countries in the Southeast Asian region such as Indonesia, Malaysia and Thailand. These countries are prime locations for oil palm cultivation as they are located in the equatorial rainforest climate zone with ample land available for mass plantation. The world's commercial plantation area is largely dominated by Indonesia and Malaysia in particular, which collectively host more than two-third of the world's commercial oil palm plantation estates.

Regionally, Asia has hosts the largest mature oil palm plantations. Mature oil palm planted area in Asia stood at 14.07 million Ha, which was equivalent to about 77.6% of the global mature oil palm plantation area as of 2016.

Furthermore, in comparison, fresh fruit bunches ("**FFB**") yield per Ha in Asia is higher compared to other palm oil producing regions across the world. The FFB yield in Malaysia and Indonesia, two of the top oil palm cultivation countries was approximately 3.51 metric tonnes per Ha ("**MT/Ha**") in 2016 compared to a global average of 3.24 MT/Ha.

1.1.1 CPO and Crude Palm Kernel Oil ("CPKO") Production

Global

The total CPO production in 2016 was approximately 58.9 million MT globally growing at a CAGR of 4.1% from 2010. Collectively, Malaysia and Indonesia are the two largest CPO producing countries globally, accounting for 83.4% of the CPO produced in 2016. Furthermore, CPO production from these 2 countries has grown at a CAGR of 3.7% from 2010 to 2016.

Chart 1-2: Global production of CPO, 2010 – 2016

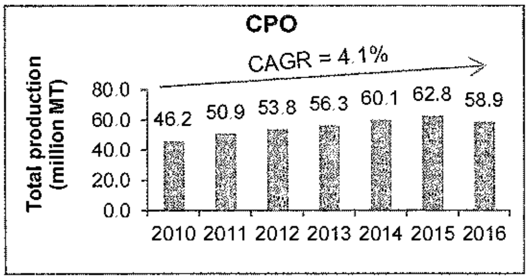
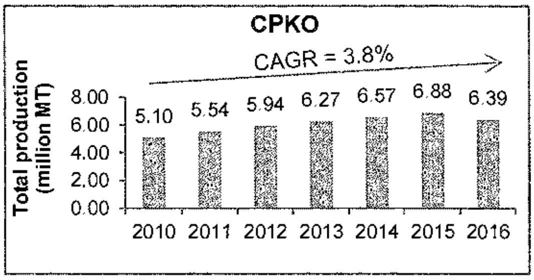


Chart 1-3: Global production of CPKO, 2010 – 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

Between 2010 and 2016, the global CPKO production grew at a CAGR of 3.8%. Collectively, Malaysia and Indonesia are the two largest CPKO producing countries globally, accounting for 93.0% of the CPKO produced in 2016. Furthermore, CPKO production from these 2 countries has grown at a CAGR of 3.8% from 2010 to 2016.

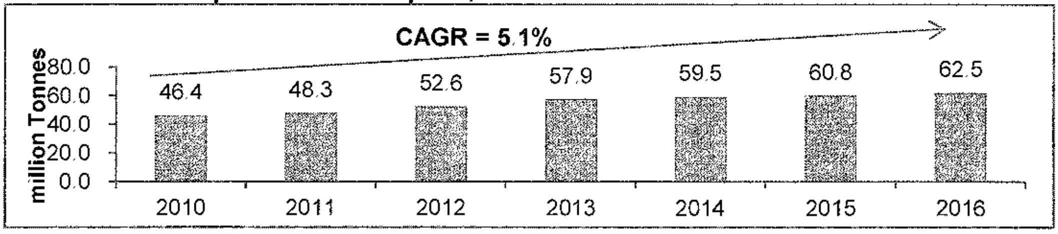
1.2 DEMAND CONDITIONS

1.2.1 Market Size and Growth Trends

Palm oil

The global demand for palm oil was approximately 62.5 million MT in 2016, growing at a CAGR of 5.1% from 2010. Simultaneously, production of CPO has grown by approximately 4.1% CAGR. While the shortfall in production was met through excess stocks from previous years, it also implied that there is a healthy demand for palm oil and that the upstream segment has to expand in order to keep up with the requirements of the end-user industries.

Chart 1-4: Global palm oil consumption, 2010 - 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

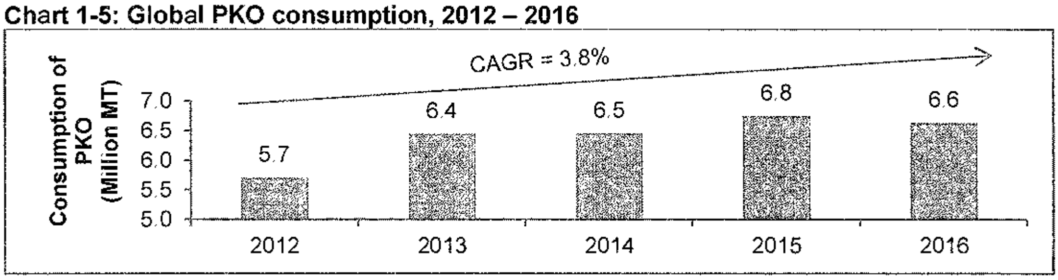
Collectively, Malaysia and Indonesia accounted for 18.9% of the global palm oil consumption in 2016. Further, palm oil consumption from these 2 countries has grown from 7,520 thousand MT in 2010 to 11,835 thousand MT in 2016 at a CAGR of 7.9%.

PKO

Global consumption for PKO exhibited a positive trend, which has increased at a CAGR of 3.8% from 2012 to 2016.

Global consumption for PKO is mainly driven by countries in Asia, North and South America and the European Union ("**EU**"). High consumption in these regions is mainly attributed to the development of oleochemicals plants and edible oil refineries as well as end-user industries, such as food processing and consumer goods such as personal care and cleaning products.

Chart 1-5: Global PKO consumption, 2012 – 2016



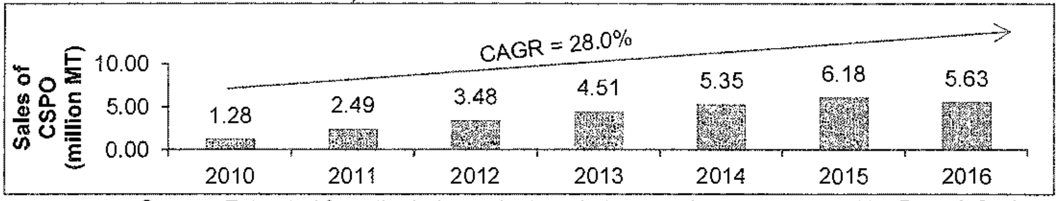
Source: Extracted from the independent market research report prepared by Frost & Sullivan

Fundamentally, demand for palm oil and PKO is driven by the growing demand for food consumption as a result of the overall global population and economic growth. The global population is expected to reach 8.5 billion by 2030 and 9.7 billion by 2050[1]. Furthermore, the increasing consumer awareness on health and food safety and sustainability commitments from multinational conglomerates, particularly FMCG customers have driven market demand for sustainably produced palm products, including Certified Sustainable Palm Oil ("**CSPO**") in recent years.

While oil palm cultivation and development is at the centre of focus of governments in Malaysia, Indonesia, PNG and SI, the key is to ensure that these plantations are sustainable and cause no further damage to the environment. As a result, Indonesia and Malaysia have respectively created their sustainable palm oil frameworks to ensure sustainable production of palm oil to cater for the gradual shift consumption preference for the growing environmental conscious consumers, particularly in developed countries or regions such as the United States and EU.

[1] United Nations Department of Economic and Social Affairs

Chart 1-6: Global CSPO sales, 2010 – 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

Simultaneously, increasing global demand for bio-diesel and bio-based chemicals, particularly in the EU, coupled with price competitiveness relative to alternative vegetable oils are likely to drive the demand for palm oil and PKO.

Since 2011, hydrogenated vegetable oils production as an advanced biofuel has taken off in the EU. In 2015, production is estimated at 2.3 billion litres, and is expected to increase to about 2.9 billion litres in 2017. Furthermore, the capacity of cellulosic ethanol, which is one of the other major types of biofuel, was about 85 million litres in the EU in 2016, and may increase to about 300 million litres in 2020[2].

Bio-based chemicals are becoming increasingly popular amid global concerns over long term availability of traditional finite feedstocks for chemicals, such as crude oil and natural gas. Being the second largest global palm oil producer, Malaysia has pioneered the production of bio-based chemicals using palm oil. In June 2017, the Malaysian Bioeconomy Development Corporation announced that Malaysia will develop the world's first bio-based chemical manufacturing plant, The Verde Palm Plant, which is scheduled to be completed by 2019.

Prices of palm oil (depending on the location) have been fluctuating between USD718/MT (Malaysia FOB[3]) to USD751/MT (CIF Rotterdam[4]) in 2016. Comparatively, other alternative edible oils such as soybean oil ranged between USD736/MT to USD851/MT, coconut oil (USD1,621/MT), PKO (USD1,436/MT), corn oil (USD886/MT to USD 999/MT), rapeseed oil (USD883/MT) and groundnut oil (USD1,544/MT) have been priced higher.

1.3 COMPETITIVE LANDSCAPE

The oil palm industry in Malaysia and Indonesia comprise a mix of private estates, smallholders, government owned estates, state agencies and others.

In Malaysia, private estates, which are planted area owned by private companies such as SDP, IOI Corporation Berhad ("**IOI**") and Kuala Lumpur Kepong Berhad ("**KLK**"), accounted for the largest planted area of 3.51 million Ha in 2016, covering 62.0% of the total planted area for oil palm, followed by independent smallholders at 16.4% (0.93 million Ha), government schemes held by Federal Land Development Authority of Malaysia ("**FELDA**") (0.71 million Ha) and Federal Land Consolidation and Rehabilitation Authority (0.17 million Ha) accounted collectively for 15.6%, while the remaining 6.0% of the total planted area was represented under state schemes (0.34 million Ha).

In Indonesia, private estates accounted for 54% (6.32 million Ha) of the total planted area in 2016, followed by smallholders and government estates, which accounted for 39% (4.56 million Ha) and 7% (0.82 million Ha) of the total planted area respectively.

Meanwhile in PNG and SI, New Britain Palm Oil Limited accounted for 87% of the total planted area in 2016 with other private companies such as Hargy Oil Palm Limited and Guadalcanal Plains Palm Oil Limited accounting for the remaining. Smallholders accounted for less than 5% of the total planted area in PNG and SI in 2016.

[2] USDA Foreign Agricultural Service – EU Biofuels Annual, 2016 Report

[3] FOB – Freight On Board - is a shipping term used in retail to indicate who is responsible for paying transportation charges. It is the location where ownership of the merchandise transfers from seller to buyer. The seller pays the freight, and the buyer takes the ownership once it's been shipped. The buyer pays the transportation costs from store to store.

[4] CIF Rotterdam - Cost, insurance and freight ("**CIF**") is a trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination (in this case Rotterdam), and provide the buyer with the documents necessary to obtain the goods from the carrier.

1.3.1 Profiles of top 10 publicly listed players in the global palm oil Industry, 2016

Industry Players	Location of Plantations	Planted Area (hectares)			Annual FFB Yield (MT/Ha)	FFB Processed ('000 MT)	Production Volume ('000 MT)		Milling capacity ('000 MT per annum)	Refinery capacity ('000 MT per annum)	OER (%)	KER (%)	Market Capitalisation 2016 (USD Mil)
		Total Planted Area	Mature	Immature			CPO	PK					
SDP	Malaysia, Indonesia PNG and SI, and Liberia	602,509	503,841	98,668	19.44	10,852	2,478	584	21,000 [h]	3,973 [h]	21.3	5.0	NA
Golden-Agri Resources Limited	Indonesia and PNG	385,997	367,814	18,183	19.04	9,089	2,015	495	12,800	4,700	22.2	5.4	3,784.9
Felda Global Ventures Holdings Berhad	Malaysia and Indonesia	341,190	258,233	82,957	14.52	12,880	2,660	670	2,660	NA	20.7	5.2	1,259.9
PT Salim Ivomas Pratama Tbk	Indonesia	247,430	203,501	43,929	19.48	3,821	833	201	6,400	1,400	21.8	1.1	565.6
Wilmar International Limited	Indonesia, Malaysia, Uganda and West Africa	241,892	208,027	33,864	15.71	8,700	1,740	425	NA	24,000	20.0	4.9	15,674.2
PT Astra Agro Lestari Tbk	Indonesia	233,382	202,802	30,580	18.33	7,409	1,743	336	NA	NA	21.0	4.5	2,384.5
KLK	Malaysia and Indonesia	205,472	175,730	29,742	19.82	4,153	776	NA	NA	NA	22.3	NA	6,185.0
First Resources Limited	Indonesia	179,398	136,798	42,600	16.82	2,822	635	148	NA	850	22.5	5.3	2,080.3
IOI Corporation Berhad	Malaysia	174,396	149,714	24,682	21.66	3,155	691	155	4,750	3,300	213	4.8	6,836.0
Genting Plantations Berhad	Malaysia and Indonesia	131,159	92,691	38,468	17.53	1,614	NA	NA	4,233	600	21.0 - 22.7	NA	1,910.8

Source: Extracted from the independent market research report prepared by Frost & Sullivan

1.3.2 Market share

Chart 1-7: Global market share of SDP by total planted area, 2016

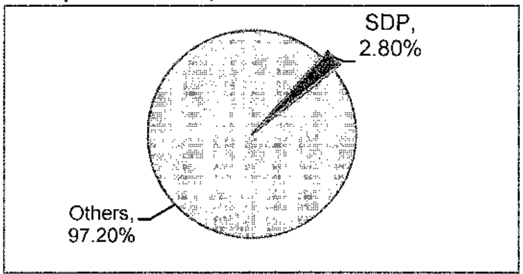
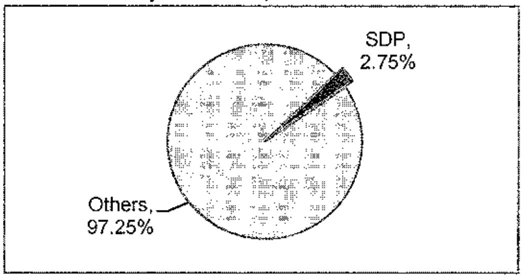
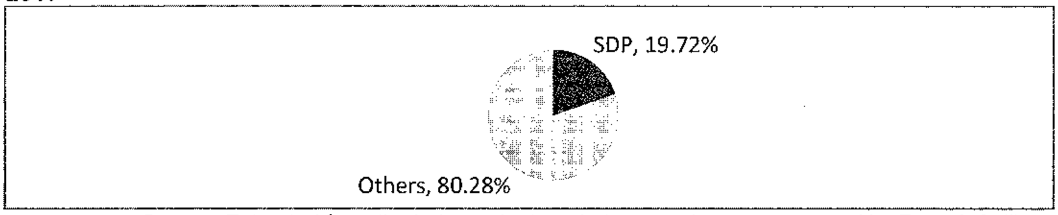


Chart 1-8: Global market share of SDP by matured oil palm area, 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

Chart 1-9: Global market share of SDP by CSPO production capacity, as of 31 October 2017



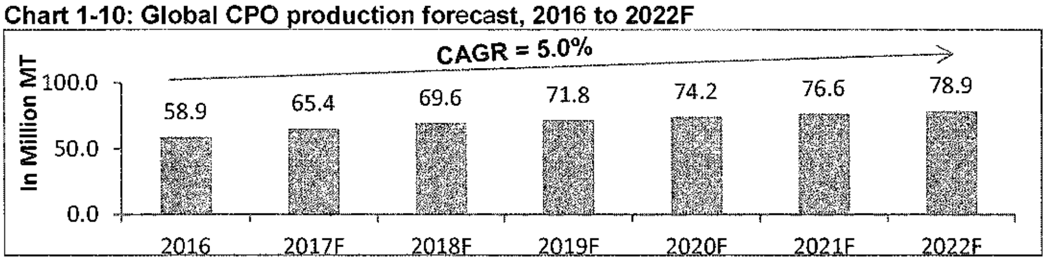
Source: Extracted from the independent market research report prepared by Frost & Sullivan

SDP is the global leader in the production capacity of CSPO and has 19.7% of the global market share based on the latest reported data by RSPO as of 31 October 2017. The total volume of CSPO production capacity as of 31 October 2017 was approximately 11.61[5] million MT and SDP's capacity accounted for 2.29[6] million MT. The other companies with significant CSPO production capacities as of 31 October 2017 include KLK (781,037 MT, 6.7%), PT Inti Indosawit Subur (558,075 MT, 4.8%), Wilmar 590,800 MT, 5.1%), PT Smart Tbk (538,241 MT, 4.6%), Cargill Inc. (353,720 MT, 3.1%) and SIPEF (205,031 MT, 1.8%).

1.4 INDUSTRY OUTLOOK AND PROSPECTS

The palm oil industry is expected to post a strong growth of 11.1% on CPO production from 58.9 million MT in 2016 to 65.43 million MT in 2017 mainly due to production recovery in Indonesia and Malaysia from the El Nino drought[7]. Post 2017, global CPO production is expected to stabilise to 6.3% growth in 2018 at 69.6 million MT and Frost & Sullivan expects CPO production growth to maintain at between 3.0% to 3.2% in line with growth in global population and economy from 2019 and 2022.

Chart 1-10: Global CPO production forecast, 2016 to 2022F



Source: Extracted from the independent market research report prepared by Frost & Sullivan

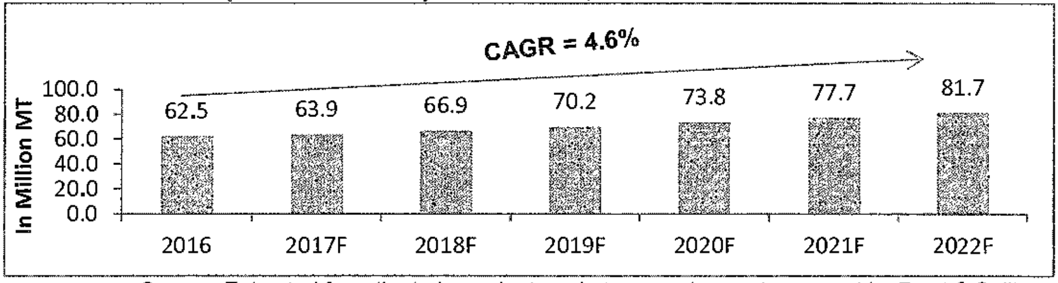
Growth in demand for palm oil is expected to come predominantly from the food sector. With growing global population and increasing food requirements, palm oil will continue to be a key

[5] RSPO
[6] RSPO
[7] Oil World

commodity. Furthermore, ongoing efforts in developing biodiesel programs by nations, such as the EU, the United States, Brazil and Indonesia provides the industry with favourable potential to create new demand segment for palm oil in the longer term.

Frost & Sullivan estimates that global palm oil consumption will grow at approximately 4.6% CAGR between 2016 and 2022. The fastest growing markets for palm oil between 2017 and 2022 are expected to be India at a CAGR of 5.5% followed by China at 2.7% CAGR, Indonesia at 2.5% and the EU at 2.1%. Overall, the global palm oil consumption is estimated to reach 81.7 million MT by 2022.

Chart 1-11: Global palm oil consumption forecast, 2016 to 2022F



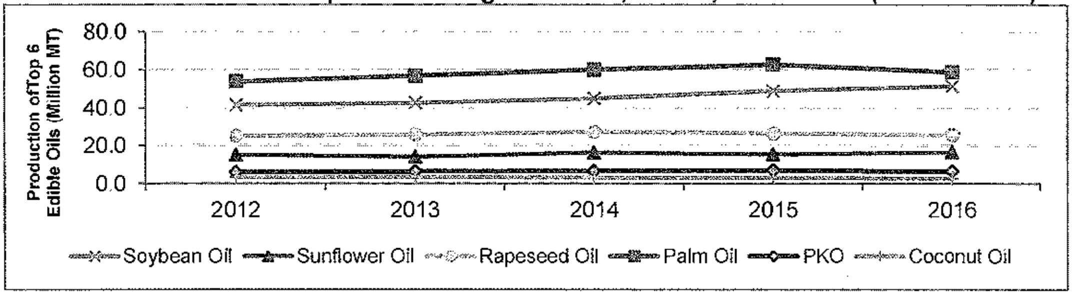
Source: Extracted from the independent market research report prepared by Frost & Sullivan

2 ANALYSIS OF THE GLOBAL EDIBLE OIL INDUSTRY

2.1 SUPPLY CONDITION

Palm oil is currently the highest produced edible oil in the world, with Malaysia and Indonesia being the top 2 producers accounting for about 84% of the total global palm oil production in 2016. Similarly for PKO production, Indonesia and Malaysia, together accounts for about 85% of the global PKO production.

Chart 2-1: Production of Top 6 Edible Vegetable Oils, Global, 2012 – 2016 (In million MT)



Note: Excludes animal oils and fats.

Source: Extracted from the independent market research report prepared by Frost & Sullivan

The contribution of palm oil and PKO collectively in terms of global edible vegetable oils production was 65.3 million MT in 2016 or 36.7% followed by soybean oil (29.0%), rapeseed oil (14.2%), sunflower oil (9.3%), coconut (1.4%), and other vegetable oils (9.4%).

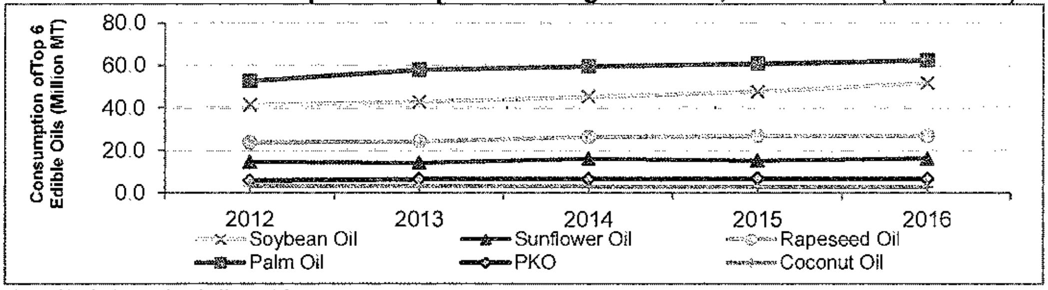
Moreover, palm oil is the most efficient vegetable oil to be produced in terms of oil yield per hectare at about 7.6 times of its close substitute, soybean oil. While oil palm accounts for only 6.6% of harvested area for the top 10 global oilseed cultivation, it produces about 36.7% of the 177.8 million MT in global vegetable oils and fats output.

2.2 DEMAND CONDITIONS

Global consumption of edible vegetable oils has been strong, growing at a CAGR of 3.7% during the period 2012 to 2016. World consumption increased from 158.8 million MT in 2012 to 183.6 million MT in 2016.

Demand for edible oils grew favourably and is expected to keep growing to meet the rising need for edible oils due to rapid population growth and the rising living standards in emerging markets. The global as well as Asia's population has been growing at a CAGR of 1.3% from 1990 to 2015, and improved standards of living, which are supported by the global GDP growth which grew at 5.3%, with Asia growing at 5.5%% from 1990 to 2015[8], contributed favourably to the increasing consumption of edible oils. At the same time, as standards of living increases, the demand for animal produce is also increasing. This, in turn, has a positive effect on the demand for high-protein animal feed, a by-product of edible oils production. In addition to growing demand for high-quality edible oils for human consumption, the further processing of these oils into biodiesel fuel for the transportation sector also plays a significant role to the increasing demand of edible oils.

Chart 2-2: Global consumption of Top 6 edible vegetable oils, 2012 – 2016 (million MT)



Note: Excludes animal oils and fats.

Source: Extracted from the independent market research report prepared by Frost & Sullivan

2.3 INDUSTRY OUTLOOK AND PROSPECTS

The demand for edible oils is expected to remain strong over the next 5 years with factors such as growing populations and increasing consumption of food being the main drivers. Certain non-food applications of edible oils such as soap and detergents will also be critical in the growth of edible oils.

Furthermore, other factors such as the ban on trans-fats[9] in the United States by June 2018 are likely to drive consumers demand for other vegetable oil alternatives from hydrogenated oils. Palm oil has a 50% to 50% split of unsaturated fats and saturated fats, which is considerably lower than other hydrogenated vegetable oils in terms of saturated fats. With increasing consumer health consciousness, palm oil is likely to be one of the preferred choices for consumers among other hydrogenated vegetable and non-vegetable oils. Palm oil demand in the United States is expected to grow by approximately 220,000 MT annually subsequent to the ban on trans-fats in June 2018[10].

Simultaneously, the increasing adoption of CSPO standards is likely to put palm oil in favourable position in meeting the regulatory compliance and consumer preference in the developed regions or countries like the EU and the United States.

Frost & Sullivan estimates that the global edible oils market is expected to grow at a CAGR of 2.6% from 2016 to 2022. Demand for global edible oils is expected to be driven by the wide range of applications of edible oils and fats, continuous demand growth from China, Indonesia and India, global population growth and increase in the global use of biodiesel over the forecast period.

Frost & Sullivan also expects palm oil to continue to play a key role as the most consumed edible oil and fat globally underpinned by its lower pricing and higher yield relative to other edible oils and fats. This is expected to be supported by increasing planted area, strong Government backing in Malaysia and Indonesia as well as continuous research and development on genetics and new applications to improve palm oil yield.

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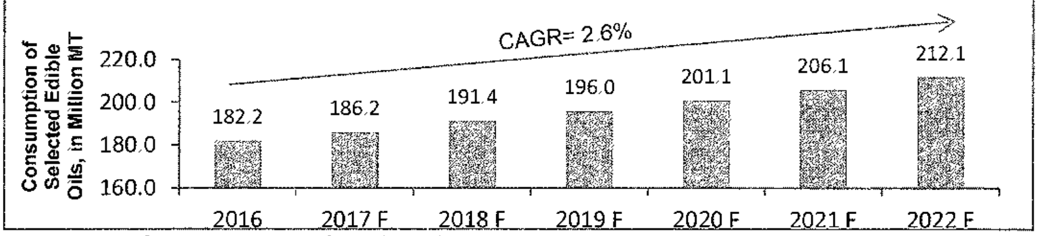
[8] IMF

[9] Trans-fats are formed when liquid oils are chemically altered using a process called hydrogenisation to produce hydrogenated oils, which is similar to butter or lard with high concentration of saturated fats, and may be health detrimental.

[10] Farm Journal, AG Web, "U.S. bans trans-fat in boost for palm, soybean oils"; palm oil consumption estimates quoted from Global Agri Trade Corporation, conversion of pound to metric ton by Frost & Sullivan

Chart 2-3: Global consumption of selected edible oils forecast, 2016 to 2022F



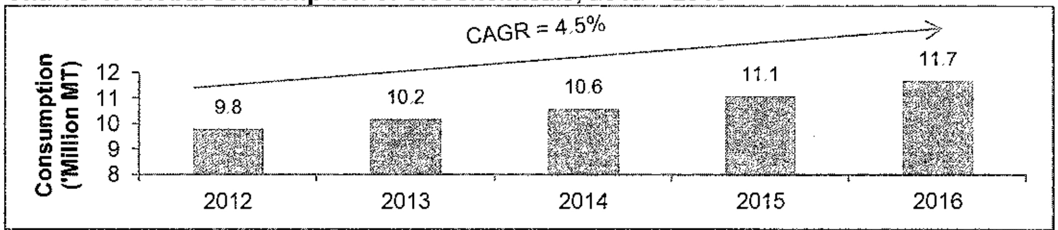
Source: Extracted from the independent market research report prepared by Frost & Sullivan

3 OVERVIEW OF THE GLOBAL OLEOCHEMICALS INDUSTRY

3.1 INDUSTRY SIZE & GROWTH TRENDS

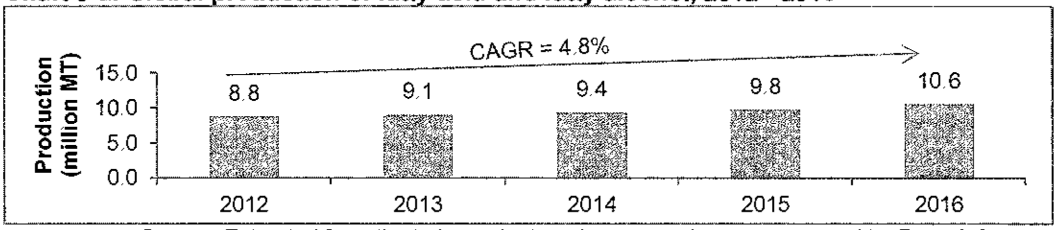
Increase in demand for bio-degradable products and sustainable solutions coupled with changes in regulations in recent times are increasing the influence of oleochemicals in various segments of the chemical industry. Recent advances have created new applications of oleochemicals in various segments such as in polymers, lubricants and bio-surfactants.

Chart 3-1: Global consumption of oleochemicals, 2012 – 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

Chart 3-2: Global production of fatty acid and fatty alcohol, 2012 - 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

Fatty acid accounted for more than 50% of the total oleochemicals market in 2016 and is expected to remain as the largest oleochemicals product in the future. During the forecast period of 2017 and 2022, the share of fatty acid is expected to hold close to 60% and 57%, respectively, of the total oleochemicals market.

3.2 COMPETITIVE LANDSCAPE

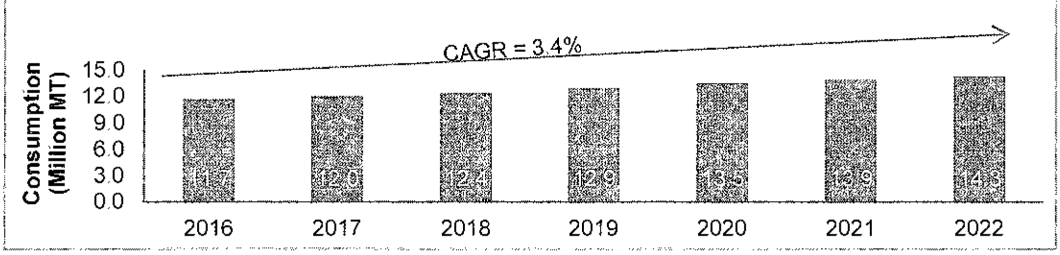
Globally, the oleochemicals industry is mainly dominated by key players, such as BASF AG, Evonik Industries from Germany, Eastman Chemical Company, Cargill Inc., Procter & Gamble Chemicals, FELDA IFFCO North America, Corda Inc., Emery Oleochemicals LLC, Vantage Oleochemicals LLC and Twin Rivers Technologies Inc. from the United States.

Meanwhile in Asia, the key oleochemicals players are mainly based in the major palm oil producing countries of Indonesia and Malaysia, including Emery Oleochemicals (M) Sdn Bhd, IOI Oleochemical Industries Berhad, KLK Oleo Sdn Bhd, Wilmar, PT Musim Mas, Fatty Chemical Malaysia Sdn Bhd and PT Ecogreen Oleochemicals.

3.3 INDUSTRY OUTLOOK AND PROSPECTS

In the non-food sector, Frost & Sullivan projects the consumption of oleochemical products, such as soaps and detergents, rubber products, personal care products and ingredients, flavours and fragrances, and candles to increase at a CAGR of 3.4% from 2016 to 2022. Frost & Sullivan expects the consumption of oleochemicals industry to be moderate in the short term (1 to 2 years), due to bullish CPKO prices and comparatively low petrochemicals product prices due to low oil price environment. Nonetheless, in the long term, demand for oleochemicals consumption is expected to return to its long term growth rate of between 3% and 4%, due to its wide range of applications and increasing demand from emerging markets, Demand for oleochemicals is expected to be driven by increasing capacity in Asia as well as research and development activities for the development of new derivatives and the discovery of new applications.

Chart 3-3: Global Forecast of Oleochemicals Consumption, 2016 – 2022F

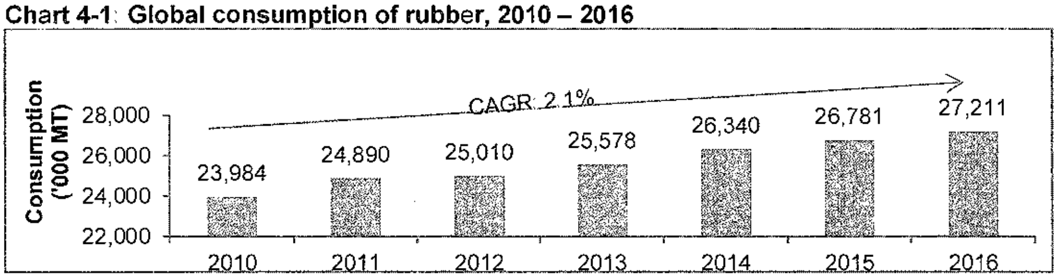


Source: Extracted from the independent market research report prepared by Frost & Sullivan

4 BRIEF OVERVIEW OF THE GLOBAL RUBBER PLANTATION INDUSTRY

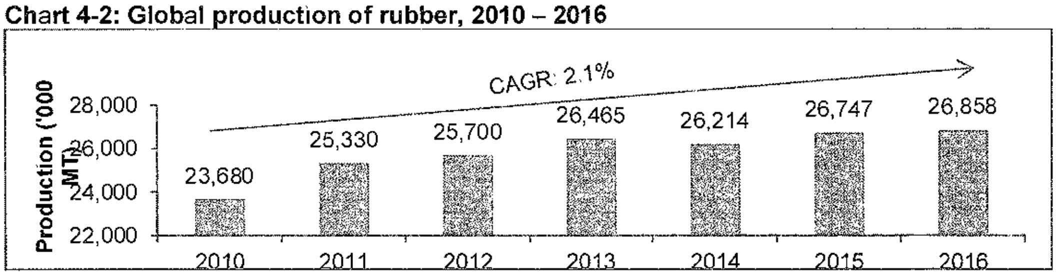
Rubber, either in its original state or converted to suit a specific requirement has always been a product that can be applied to all sectors due to its varied and multi-purpose usage. According to the International Rubber Study Group, the demand and supply of rubber both grew at a CAGR of 2.1% between 2010 and 2016 to reach a total of 27,211 thousand MT and 26,858 thousand MT respectively.

Chart 4-1: Global consumption of rubber, 2010 – 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

Chart 4-2: Global production of rubber, 2010 – 2016



Source: Extracted from the independent market research report prepared by Frost & Sullivan

According to The Association of Natural Rubber Producing Countries there is a shortage in supply of natural rubber compared to global demand, which amounted to 466,000 MT for the first quarter of 2017. Such shortfall in supply as compared to the demand for natural rubber calls for an increase in rubber plantation land, its cultivation and production accordingly.

Rubber is one of the primary ingredients used during manufacturing of tyres. The share of natural rubber in the production of tyre is close to 40% in countries or regions, such as the United States, Japan and Europe. Meanwhile in Asia, the share of natural rubber in tyre production may reach the heights of approximately 70%. As a result, the outlook of the automotive industry may have a strong influence on the rubber industry outlook.

In Asia, India is forecast to increase its production from 4.4 million vehicles in 2017 to reach 6.9 million in 2022, with a CAGR of 9.4%. China, on the other hand, is expected to increase its total output from 25.7 million units to 33.9 million, registering a CAGR of 5.7% during the forecast period. The strong growing demand in the automotive industries in these key Asian economies are likely to drive demand for rubber based automotive components, which in turn, drives natural rubber demand.

Frost & Sullivan forecasts the consumption of natural rubber to increase from 12.9 million MT in 2017 to reach 14.9 million MT in 2022, with a CAGR of 2.9% over the period. Meanwhile, demand for rubber is also expected be driven by the rubber glove industries as a result of higher healthcare spending due to the rapid aging of the world population in developed countries and the emergence and adoption of new medical technologies. Despite the flood in 12 provinces in Thailand, the largest natural rubber producing country, has disrupted global supply, demand of natural rubber is likely to remain stable underpinned by the fast growing demand of automotive and rubber-based consumer products in key economic countries like China and India within Asia.

5 PROSPECTS AND OUTLOOK FOR SDP

Frost & Sullivan believes that SDP, being one of the leading palm oil producers globally, is well positioned to take advantage of the stable growth expected in coming years. As of 31 October 2017, SDP owns a total oil palm planted area of 602,454 Ha, comprising 303,329 Ha in Malaysia, 202,182 Ha in Indonesia, 86,542 Ha in PNG and SI and 10,401 Ha in Liberia. Simultaneously, SDP also owns a total rubber planted area of 11,603 Ha in Malaysia of which 4,870 Ha are mature.

As of 31 December 2016, Frost & Sullivan notes that SDP holds the largest planted area globally with approximately 603,254 Ha of oil palm planted area or 2.8% of the global planted area of 21.5 million Ha. It also has the largest immature oil palm planted area with 101,203 Ha or a global share of 3.1%. In terms of production, it is also one of the world's largest producers of CPO and PK. In its countries of upstream operations, SDP is the largest plantation player in PNG and SI and one of the largest plantation players in Malaysia and Indonesia.

Frost & Sullivan also notes that SDP has continued its strict adherence to sustainable plantation practices, as well as its commitment to promoting sustainability in areas surrounding its operations. It is the global leader in the production capacity of CSPO and has 19.7% of the global market share based on the latest reported data by RSPO as of 31 October 2017. This also augurs well with the overall direction of the industry focusing on sustainable plantation practices as well as its committing to promoting sustainability in areas surrounding its operations.

SDP's strategy to venture into differentiated and niche palm oil-based products, such as bio-based chemicals signify the company's drive towards product innovation and expansion of its business portfolio. Such strategy also augurs well with its aim to penetrate the developed countries or regions, such as the United States and EU, with growing demand for value added palm oil-derived products.

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS

9.1 BOARD OF DIRECTORS

Our Board acknowledges and takes cognisance of the MCCG, which contains practices to promote greater internalisation of corporate governance culture in companies. The MCCG is specifically targeted at listed companies on Bursa Securities. Listed companies, from the FYE 31 December 2017 onwards, are required to provide explanation on the application of each practice of MCCG in their annual reports. Where there is a departure from a practice, the listed company must provide an explanation for the departure and disclose the alternative adopted and the manner in which such alternative achieves the intended outcome of that practice.

Our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern our Group effectively.

Our Board is also committed to achieving and sustaining high standards of corporate governance. With regard to the above, in relation to certain practices, such as having a majority of our Board comprising Independent Directors, having at least 30% women directors on our Board and having an audit committee comprising solely Independent Directors, we endeavour to comply with these practices within 2 years from our Listing by appointing new directors to achieve diversity in our boardroom and to comply with these practices. Our Board will also provide an explanation on the extent of compliance with the MCCG in our first annual report as a listed entity for the FYE 30 June 2018.

Within the limits set by our Constitution, our Board is responsible for the governance and management of our Company. To ensure the effective discharge of its functions, our Board endeavours to follow the MCCG and have set out the following responsibilities in our board charter:

(i) Promoting good corporate governance culture

Together with our senior management, to promote good corporate governance culture within our Group which reinforces ethical, prudent and professional behaviour.

(ii) Reviewing and adopting a strategic plan for our Group

(a) To review, challenge and approve our management's proposal on a strategic plan for our Group by providing objectivity and breadth of judgment to the strategic planning process, and to monitor the implementation of the strategic plan by our management.

(b) To ensure that the strategic plan of our Group supports long-term value creation and includes strategies on economic, environmental, safety and health, social and governance considerations underpinning sustainability.

(iii) Overseeing the conduct of our Group's business

(a) To oversee the conduct of our Group's business, including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management.

(b) To approve and monitor progress of major capital expenditures, fund-raising, acquisitions and divestitures.

(c) To supervise and assess our management's performance to determine whether our business is properly managed and ensure that appropriate measures are in place against which our management's performance can be assessed.

(d) To monitor compliance with established policies and procedures.

(iv) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

(a) To understand the principal risks of our Group's business and recognise that business decisions involve taking appropriate risks.

(b) To fulfill statutory and fiduciary responsibilities by monitoring the operational, financial and risk management processes of our Group and ensuring that internal controls procedures are in place.

(c) To set the risk appetite within which our Board expects our management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

(d) To comply with environment, safety and health legislations by understanding the operations being carried out by employees and the hazards and risks associated with such operations.

(v) Succession planning

To ensure that our senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of our Board and senior management.

(vi) Overseeing the development and implementation of a stakeholder communication policy for our Group

To ensure that our Group has in place procedures to enable effective communication with stakeholders.

(vii) Reviewing the adequacy and the integrity of our management information and internal control systems of our Group

(a) To ensure that there is a sound framework of reporting on internal controls and regulatory compliance.

(b) To review the efficiency and quality of our Group's financial reporting process and systems of accounting and internal controls.

(c) To ensure the integrity of our Group's financial and non-financial reporting.

In accordance with Rule 140 of our Constitution, an election of Directors shall take place each year and at least 1/3 of our Directors for the time being shall retire from office at each AGM. A Director retiring at a general meeting shall retain office until the conclusion of the meeting. All Directors shall retire from office once at least in each 3 years and such retiring Directors are eligible for re-election.

In accordance with Rule 127 of our Constitution, our Directors have the power at any time to appoint any other person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with our Constitution. Any Director so appointed should hold office only until the conclusion of the next AGM and is eligible for re-election at such meeting. A Director retiring under this Rule should not be taken into account in determining the Directors or the number of Directors to retire by rotation at such meeting.

In accordance with Rule 126 of our Constitution, the number of Directors must not be less than 2 but not more than 15. Subject to the Listing Requirements and any vacancy arising, at least 2 of our Directors or half of our Board, whichever is higher, must be Independent Directors. As at the date of this Prospectus, our Board consists of 10 Directors, 5 of whom are Independent Directors.

The details of the members of our Board, the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office as at the LPD are as follows:

Name	Age	Date of appointment	Designation	Date of expiration of the current term of office	No. of years and months in office
Tan Sri Dato' A. Ghani Othman	71	1 July 2013	Chairman and Non-Independent Non-Executive Director	Subject to retirement at the AGM in 2018	4 years and 4 months
Tan Sri Dato' Seri Mohd Bakke Salleh	63	30 December 2010	Executive Deputy Chairman and Managing Director	Subject to retirement at the AGM in 2018	6 years and 10 months
Dato' Mohamad Nasir Ab. Latif	59	14 July 2017	Non-Independent Non-Executive Director	Subject to retirement at the AGM in 2017	3 and a half months
Dato' Mohd Nizam Zainordin	54	14 July 2017	Non-Independent Non-Executive Director	Subject to retirement at the AGM in 2017	3 and a half months
Zainal Abidin Jamal	63	14 July 2017	Non-Independent Non-Executive Director	Subject to retirement at the AGM in 2017	3 and a half months
Tan Sri Datuk Dr. Yusof Basiran	69	31 December 2010	Independent Non-Executive Director	Subject to retirement at the AGM in 2017	6 years and 10 months
Datuk Zaiton Mohd Hassan	61	24 February 2016	Senior Independent Non-Executive Director	Subject to retirement at the AGM in 2018	1 year and about 8 months
Muhammad Lutfi	48	24 November 2015	Independent Non-Executive Director	Subject to retirement at the AGM in 2018	1 year and about 11 months
Dato' Che Abdullah @ Rashidi Che Omar	69	31 December 2010	Independent Non-Executive Director	Subject to retirement at the AGM in 2017	6 years and 10 months

Name	Age	Date of appointment	Designation	Date of expiration of the current term of office	No. of years and months in office
Tan Ting Min	49	14 July 2017	Independent Non-Executive Director	Subject to retirement at the AGM in 2017	3 and a half months

Save for Tan Sri Dato' A. Ghani Othman, Dato' Mohd Nizam Zainordin and Zainal Abidin Jamal, who are representatives of PNB and Dato' Mohamad Nasir Ab. Latif who is a representative of EPF on our Board respectively, none of our other Directors represent any corporate shareholder.

9.1.1 Profiles of our Directors

(i) **Tan Sri Dato' A. Ghani Othman**, a Malaysian aged 71, is our Chairman and Non-Independent Non-Executive Director. He graduated with a Bachelor's degree in Economics (Honours) from La Trobe University in Melbourne, Australia in 1970 and later obtained a Master's degree in Political Economy from University of Queensland, Australia in 1974.

He started his career in 1974 as a lecturer at the Faculty of Economics, University of Malaya and later served as the Dean for the Faculty of Economics and Administration, University of Malaya from 1980 to 1984.

He was appointed as a Member of the Senate in December 1984 and subsequently elected as a Member of Parliament for Ledang in August 1986. He was later appointed the Deputy Minister of Energy, Telecommunications and Post in May 1987 and thereafter became the Deputy Minister of Finance in 1990. In December 1993, he was appointed the Minister of Youth and Sports and served in that capacity until March 1995. He then served as the Chief Minister of Johor from March 1995 to May 2013. He was also the Chairman of the board of directors of Johor Corporation from May 1995 to May 2013.

He was appointed to our Board and the board of directors of SDB on 1 July 2013. He is also currently the Chairman of the board of directors of SDB since 1 July 2013, and a member of the board of trustees of the World Islamic Economic Forum Foundation since 2014.

(ii) **Tan Sri Dato' Seri Mohd Bakke Salleh**, a Malaysian aged 63, is our Executive Deputy Chairman and Managing Director. He graduated with a Bachelor of Science (Economics) degree from the London School of Economics, United Kingdom in 1977. He was an Associate of the Institute of Chartered Accountants in England and Wales ("**ICAEW**") since 1983 and became a Fellow of ICAEW since 1993. He is a member of the Malaysian Institute of Accountants since 1988.

He was an Audit Senior at Ernst & Whinney (now known as Ernst & Young) in 1983 before moving on to Caltex Oil Malaysia Ltd as the Head of Internal Audit in 1984. He joined Citibank Kuala Lumpur as the Head of Audit Division for Malaysia and Brunei in 1985, and subsequently became the Assistant Vice President of the Real Estate Division until 1988. Later in 1988, he joined Island & Peninsular Berhad as the Chief Financial Officer and subsequently became the General Manager of the Plantation Division. He was promoted to Group General Manager before leaving in 1993. He was the Managing Director of Electra House Sdn Bhd from 1993 to 1994, Syarikat Perumahan Pegawai Kerajaan Sdn Bhd from 1994 to 1998 and Federal Power Sdn Bhd from 1998 to 1999.

He served as Director, Property Division of Pengurusan Danaharta Nasional Berhad from 1999 to 2001. He then served as the Group Managing Director and CEO of Lembaga Tabung Haji from 2001 to 2005. In December 2005, he was appointed the Group Managing Director of Felda Holdings Berhad and subsequently the Group President and CEO of Felda Global Ventures Holdings Berhad in January 2009. He was also an SC Commission member from 2004 until 2010.

He was appointed the Acting President and Group Chief Executive of SDB on 15 July 2010 and later assumed the position of President and Group Chief Executive on 27 November 2010, a position he held until 20 November 2017. As the President and Group Chief Executive of SDB, he was responsible for overseeing the core divisions within the SDB Group, which includes plantation, property, industrial, motors and logistics. He was appointed to the board of directors of SDB on 16 November 2010 and to our Board on 30 December 2010. He resigned from the board of directors of SDB and assumed the position as our Executive Deputy Chairman and Managing Director on 21 November 2017.

Currently, he sits on the boards of directors of Eastern & Oriental Berhad (listed) since 2011, the Foundation since 2012 and Malaysian Industry-Government Group for High Technology since 2011. He is a Council Member of the Northern Corridor Implementation Authority since 2012, Global Science and Innovation Advisory Council since 2013, the Pro-Chancellor of Universiti Putra Malaysia since 2015, a Steering Committee Member of Malaysia Vision Valley since 2016, a member of Majlis Produktiviti Negara since April 2017 and a member of Majlis Bioekonomi Kebangsaan since July 2017.

(iii) **Dato' Mohamad Nasir Ab. Latif**, a Malaysian aged 59, is our Non-Independent Non-Executive Director. He graduated with a Bachelor's degree in Social Science (Major-Economics) from Universiti Sains Malaysia in 1989. He then obtained a Diploma in Accounting and Finance from the Association of Chartered Certified Accountants in 1996 and a Master of Science in Investment Analysis from University of Sterling, United Kingdom in 1999.

He started his career with EPF in 1982 and held several positions during his tenure with EPF, including State Enforcement Officer from 1990 to 1995, Senior Research Officer, Manager and Senior Manager in the Investment and Economics Research Department from 1995 to 2003. He was later appointed as Senior Manager, Company and Intermediary Supervision Division of EPF from June 2003 to March 2008, Senior Manager Equity Investment Department of EPF from April 2008 to June 2009 and General Manager, International Equity Department of EPF from July 2009 to April 2013. He is currently the Deputy CEO of the Investment Division of EPF.

He was appointed to our Board on 14 July 2017. He is also a member of the board of directors of 2 public listed companies, namely United Plantations Berhad since 2004 and Yinson Holdings Berhad since 2016, and several other non-listed companies, namely PLUS Malaysia Berhad, Battersea Project Holding Company Limited, BBCC Development Sdn Bhd and Yarra Park City Pty Ltd.

(iv) **Dato' Mohd Nizam Zainordin**, a Malaysian aged 54, is our Non-Independent Non-Executive Director. He obtained his Association of Chartered Certified Accountants, United Kingdom qualification in 1989 and an Executive Masters in Business Administration from Asian Institute of Management in 1999. He is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom since 1993, a Member of the Malaysian Institute of Accountants since 1996 and a Certified Financial Planner since 2002.

He has over 20 years of experience in the finance sector. He started his career in 1988 as Audit Trainee at Lim, Chen & Chang, before moving on to SDB as Management Trainee in 1989. He then joined Century Batteries (M) Sdn Bhd as Assistant Accountant and served from 1990 to 1993.

He joined PNB in 1994 as Assistant Manager, Finance Department and had since held various positions in PNB, including Manager, Finance from 1995 to 1996, Senior Manager, Finance from 1997 to 2002, Assistant Vice President of Operation Management from 2003 to 2004, Vice President II, Finance and Investment Processing Division from 2004 to 2005 and Vice President I in the similar Division from 2005 to 2006. He then served as Senior Vice President II from 2006 to 2008, Senior Vice President I in December 2009 and CFO of PNB from 2010 to 2014. He was then appointed as the Group CFO of PNB from 2014 to 2016 before assuming his current position as the Deputy President and Group CFO of PNB.

He was appointed to our Board on 14 July 2017. He also holds directorships in several subsidiaries within the PNB group of companies, all of which are unlisted.

(v) **Zainal Abidin Jamal**, a Malaysian aged 63, is our Non-Independent Non-Executive Director. He obtained a Bachelor of Laws (LL.B) (Honours) from University of Singapore in 1979. He is a practising corporate and commercial lawyer.

He was enrolled as an Advocate and Solicitor of the Supreme Court of Singapore in 1980 and had practised in Singapore at Y.M. Jumabhoy & Co during the first half of 1980. He served as a First Class Magistrate in Brunei Darussalam from the second half of 1980 to 1983. He had also served as the Company Secretary of Harrisons Malaysian Plantations Berhad from 1983 and 1986.

He was enrolled as an Advocate and Solicitor of the High Court of Malaya in 1986. He founded Zainal Abidin & Co, Advocates & Solicitors in 1987 where he is the Senior Partner.

He was appointed to our Board on 14 July 2017. He was appointed to the board of directors of Maybank Islamic Berhad (unlisted) on 28 January 2010 and is currently the Chairman of Maybank Islamic Berhad since 1 June 2017. He also sits on the board of several companies, including SDB (listed) since 2016, Etiqa Takaful Berhad (unlisted), Lam Soon (M) Berhad (unlisted), Sime Darby Industrial Holdings Sdn Bhd and several other private limited companies.

(vi) **Tan Sri Datuk Dr. Yusof Basiran**, a Malaysian aged 69, is our Independent Non-Executive Director. He obtained a Bachelor's degree in Chemical Engineering from University of Canterbury, New Zealand in 1973, a post-graduate degree in Rubber Technology from the North London Polytechnic, England in 1974, a Master's degree in Engineering specialising in Industrial Management and Master in Business Administration (MBA) from the Catholic University of Leuven, Belgium in 1976 and 1977 respectively. He completed his Doctorate with a PhD in Applied Economics and Management Science from University of Stirling, Scotland in 1987.

Prior to joining the Palm Oil Research Institute of Malaysia ("**PORIM**") in 1979, he held the position of Rubber Technologist/Techno-Economist with the Rubber Research Institute/Malaysian Rubber Research and Development Board from 1973 until 1978. He was later appointed as the Director-General of PORIM in 1992 and held the position for 8 years until April 2000 before assuming the role of Director-General of the MPOB, an organisation which existed as a result of the merger between PORIM and Palm Oil Registration and Licensing Authority, from 1 May 2000 to 18 January 2006. He was formerly the CEO of the Malaysian Palm Oil Council from 2006 to January 2017.

He was appointed to our Board on 31 December 2010. He is currently the Chairman of CB Industrial Product Holding Berhad (listed) since 2006, as well as a board member of SDB (listed) since 2010 and Bank Negara Malaysia since 2015.

He is also involved in other professional organisations. He is currently a Senior Fellow of the Academy Sciences Malaysia. He is also a Fellow of the Malaysian Oil Scientists' and Technologists' Association, the Incorporated Society of Planters and the Institute of Chemical Engineers.

(vii) **Datuk Zaiton Mohd Hassan**, a Malaysian aged 61, is our Senior Independent Non-Executive Director. She obtained her Association of Chartered Certified Accountants, United Kingdom qualification in 1980. She is a Fellow of the Association of Chartered Certified Accountants, United Kingdom since 1980, a member of the Malaysian Institute of Certified Public Accountants since 1983, a member of the Malaysian Institute of Accountants since 2012 and a member of the International Federation of Accountants (IFAC) Professional Accountants in Business Committee since 2016.

She started her career in Price Waterhouse (now known as PricewaterhouseCoopers) as an audit trainee in 1976 and later joined Bank Pembangunan (M) Bhd as a Project Officer in the same year. Subsequently, she was seconded to Bapema Corporation Sdn Bhd as a Fund Manager from 1978 to 1984. She joined Malayan Banking Berhad in 1984 and had held various positions, including heading both the bank's treasury and international operations, and Malaysian branch operations. She left Malayan Banking Berhad in 1996 as the General Manager of Group Strategic Planning.

In 1996, she was appointed the President/Executive Director of Malaysian Rating Corporation Bhd (MARC) and in 2004, she left to set up her own financial advisory firm, Capital Intelligence Advisors Sdn Bhd.

She was appointed to our Board on 24 February 2016. She is currently the CEO of Malaysia Professional Accountancy Centre (MyPAC) since 2016, the Chairman of Private Pension Administrator Malaysia since 2012 and a board member of public listed companies, namely, SDB since 2010, BIMB Holdings Berhad since 2006 and Dolphin International Berhad since 2014, as well as Bank Islam Malaysia Berhad (unlisted) since 2006 and several other private companies.

(viii) **Muhammad Lutfi**, an Indonesian aged 48, is our Independent Non-Executive Director. He graduated with a Bachelor's degree in Economics from Purdue University in Indiana, the United States in 1992.

He started his career in 1992 as a Director of PT Panutan Selaras, before moving on to Mahaka group of companies as a President Director in 1994 and CEO in 2004. He led the Jakarta Chapter of the Indonesia Young Entrepreneurs Association ("**HIPMI**") from 1998 to 2001 before he was elected as the National Chairman of HIPMI in 2001.

He first joined the Indonesian government in 2005 when he was appointed as the Chairman of the Indonesia Coordinating Board of Investment by the former President of Indonesia. He served in that capacity until 2009 and became the Ambassador Extraordinary and Plenipotentiary (i.e. diplomat of the highest rank representing the Indonesian government) to Japan and the Federated States of Micronesia in 2010.

He concluded his term as Indonesian Ambassador to Japan in 2013. He was then appointed the Minister of Trade of the Republic of Indonesia in 2014. He retired as the Minister of Trade of the Republic of Indonesia in the same year.

He was appointed to our Board and the board of directors of SDB on 24 November 2015. He is also the President Commissioner (i.e. Chairman of the Board of Commissioners which is responsible for supervising the board of directors) of PT Medco Energi Internasional Tbk, an integrated energy company listed in Indonesia with businesses in oil and gas exploration and production as well as other energy-related ventures since 25 November 2015.

(ix) **Dato' Che Abdullah @ Rashidi Che Omar**, a Malaysian aged 69, is our Independent Non-Executive Director. He graduated with a Diploma in Plantation Management from Universiti Teknologi Mara in 1966.

He has over 45 years of experience in the plantation sector. He began his career with Lembaga Kemajuan Tanah Persekutuan (FELDA) as a Cadet Planter in 1968 and left as a Manager in 1974. In the same year, he joined Kuala Lumpur Kepong Berhad as Assistant Manager and was promoted to be Senior Manager before he left the company in 1989. He then joined Austral Enterprise Berhad as a Senior Manager until 1990.

He joined Tradewinds (M) Berhad as a Manager, Plantation Division in 1990 and was subsequently promoted to be General Manager in 1993. In 1996, he was seconded to Tradewinds Plantation Services Sdn Bhd and promoted to be Senior General Manager. In 1999, he became the Executive Director of Tradewinds Plantation Services Sdn Bhd. He left Tradewinds Plantation Services Sdn Bhd in 2002. In the same year, he joined Lembaga Tabung Haji as its Plantation Director. He was the Managing Director of TH Plantations Berhad since 2003 before he retired in 2009.
He was appointed to our Board on 31 December 2010. He also holds directorships in a public listed company, namely Tadmax Resources Berhad since 2012, and several other companies, including Loh & Loh Corporation Berhad (unlisted).

(x) **Tan Ting Min**, a Malaysian aged 49, is our Independent Non-Executive Director. She obtained a Bachelor of Arts in Natural Sciences, specialising in Plant Biotechnology and a Master of Arts from Cambridge University in 1991 and 1994 respectively.

She started her career in 1991 as a Research and Development Executive at TopPlant Laboratories Sdn Bhd and left in 1993 to join Ke-Zan Securities Sdn Bhd as an Investment Analyst. She joined Credit Suisse Malaysia as an Associate, Equities, in 1994. She was the regional plantation sector team lead in Credit Suisse from 1998 to 2017 and has covered the plantation sector for close to 25 years.

She was the Head of Research in Credit Suisse Malaysia for 7 years from 2010 until her retirement in 2017. She was the Malaysian equity strategist for Credit Suisse and has written extensively on equity investment strategy and asset allocation in Malaysia, based on economics, political and macro fundamentals.

She was appointed to our Board on 14 July 2017.

Our Directors also hold directorships in other companies, as disclosed in Section 9.1.3 of this Prospectus.

9.1.2 Shareholdings of our Directors

As at the LPD, SDB owns all of our issued Shares. Since our Directors do not own any SDB Shares as at the LPD, none of our Directors have any direct and indirect shareholdings in our Company after the Pre-Listing Restructuring.

9.1.3 Principal business activities outside our Group performed by our Directors and the directorships of our Directors outside our Group

The principal business activities outside our Group performed by our Directors as at the LPD and the directorships of our Directors outside our Group at present and in the past 5 years preceding the LPD are as follows:

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Sri Dato' A. Ghani Othman	*Present directorships:*		
	• LEC Marketing & Services Sdn Bhd *(in members' voluntary winding-up)*	Packaging, freight and forwarding	• Nil
	• SDB	Investment holding company in motors, industrial and logistics	• Nil
	Previous directorships:		
	• Johor Corporation	Investment corporation established by the Johor State	• Nil
	• SD Property	Investment holding, property development and provision of management services	• Nil
Tan Sri Dato' Seri Mohd Bakke Salleh	*Present directorships:*		
	• Malaysian Industry-Government Group For High Technology	Driving organisation for science to action	• Nil
	• Foundation	Administration of scholarship awards and loans for educational purposes, undertake sports, environmental conservation and sustainability projects; and other related activities for the benefit of the community	• Nil
	• Eastern & Oriental Berhad	Investment holding and the provision of management services to its subsidiaries in property development	• Nil
	• Sime Darby Overseas (HK) Limited	Investment holding	• Nil
	• Sime Darby Logistics Sdn Bhd (formerly known as Sime Darby Utilities Sdn Bhd)	Investment holding	• Nil
	• Sime Darby Water Resources Sdn Bhd	Investment holding	• Nil

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Sri Dato' Seri Mohd Bakke Salleh *(Cont'd)*	• Sime Darby Water Resources (Perak) Sdn Bhd	Dormant	• Nil
	• Hastings Deering (Australia) Limited	Sale, rental and servicing for Caterpillar products, hard chroming and hydraulic repair	• Nil
	• Sime Darby Industrial Holdings Sdn Bhd	Investment holding in relation to sales, rental, provision of product support services for heavy machineries, equipment and engines, and provision of industrial services and energy solutions	• Nil
	• Sime Darby Motors Sdn Bhd	Investment holding	• Nil
	• Sime Darby Energy Sdn Bhd	Investment holding	• Nil
	Previous directorships:		
	• SD Property	Investment holding, property development and provision of management services	• Nil
	• SDB* ** As at the LPD, he was the President and Group Chief Executive of SDB, but he resigned on 20 November 2017.*	Investment holding company in motors, industrial and logistics	• President & Group Chief Executive
Dato' Mohamad Nasir Ab. Latif	*Present directorships:*		
	• United Plantations Berhad	Oil palm and coconut cultivation and processing thereof	• Nil
	• PLUS Malaysia Berhad	Toll road concession	• Nil
	• Battersea Project Holding Company Limited	Property investment and property development	• Nil
	• BBCC Development Sdn Bhd	Property development and property investment holding	• Nil
	• Yinson Holdings Berhad	Investment holdings and provision of management services	• Nil

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Mohamad Nasir Ab. Latif *(Cont'd)*	• Yarra Park City Pty Ltd	Property investment and development services	• Nil
	Previous directorship:		
	• Nil		
Dato' Mohd Nizam Zainordin	*Present directorships:*		
	• Mecair (Malaysia) Sdn Bhd	Dormant	• Nil
	• Carrier International Sdn Bhd	Manufacturer and assembly of air conditioner	• Nil
	• PNB Capital Holdings Sdn Bhd	Dormant	• Nil
	• Panelex Sdn Bhd	Dormant	• Nil
	• PNB Property Management Sdn Bhd	Dormant	• Nil
	• PNB Management Services Sdn Bhd	Providing management services to training centres, holiday resorts and service apartments	• Nil
	• PNB Commercial Sdn Bhd	Property and investment holding and provision of property management services	• Nil
	• Pengurusan Pelaburan ASN Berhad	Dormant	• Nil
	• PG Hotel Sdn Bhd	Property investment and hotel business	• Nil
	• Lanjut Golf Resorts Sdn Bhd	Investment holding	• Nil
	• Lanjut Beach Resorts Sdn Bhd	Beach and leisure recreational resorts	• Nil
	• Lanjut Golf Bhd	Operating of golf course	• Nil
	• Lanjut Tour & Travels Sdn Bhd	Tour and travel agents	• Nil
	• PNBC Mutiara Sdn Bhd	Property investment	• Nil
	• MIDF Investment Holdings Sdn Bhd	Investment holding and provision of finance, leasing and industrial hire-purchase services to industries and businesses in Malaysia	• Nil

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Mohd Nizam Zainordin *(Cont'd)*	• Amanah Capital Property Management Sdn Bhd	Providing building management services	• Nil
	• PNB Development Sdn Berhad	Investment holding in relation to producing quality developments while protecting and nurturing its landbank through innovative and sustainable practices	• Nil
	• Seriemas Resort Sdn Bhd	Property development, property investment and investment holding	• Nil
	• Seriemas Golf Resort Sdn Bhd	Development, ownership and operation of golf resort facilities	• Nil
	• UMW Drilling Co. Ltd	Ownership and leasing of rig	• Nil
	• I & P Group Sdn Bhd	Property developer	• Nil
	• One Silk Street Property Limited	Acquisition, ownership and management of an investment property	• Nil
	• PNBJ I Limited	Acquisition, ownership and management of an investment property	• Nil
	• PNBJ II Limited	Acquisition, ownership and management of an investment property	• Nil
	• PNBJ III Limited	Acquisition, ownership and management of an investment property	• Nil
	• Malaysia Development Holding Sdn Bhd	Carrying on the business of a special purpose vehicle to source financing	• Nil
	• PNB Merdeka Development Sdn Bhd	Dormant	• Nil
	• PNB Merdeka Tower Hotel Sdn Bhd	Dormant	• Nil
	• PNB Merdeka Park Hotel Sdn Bhd	Dormant	• Nil
	• PNB Merdeka District Cooling System Sdn Bhd	Dormant	• Nil
	• PNB Merdeka Skydeck Sdn Bhd	Dormant	• Nil

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Mohd Nizam Zainordin *(Cont'd)*	• PNB Merdeka Retail Mall Sdn Bhd	Dormant	• Nil
	• Avion Limited	Property investment	• Nil
	• PNBJ IV Limited	Property investment	• Nil
	• PNBC Permodalan Harta Sdn Bhd	Property and investment holding and provision of property management services	• Nil
	• Syarikat Malacca Straits Inn Sdn Bhd	Business ownership and operation of hotel	• Nil
	• PNB Value Homes Sdn Bhd	Property development	• Nil
	• Jakel Land Sdn Bhd	Property development	• Nil
	• PNB Equity Resources Corporation Sdn Bhd	Providing equity financing to companies	• Nil
	• MIDF Property Berhad	Investment holding in relation to industrial property developer	• Nil
	• PNB Investment Institute Sdn Bhd	Provision of education and training courses in investment and finance	• Nil
	Previous directorships:		
	• PNB Research Institutes Sdn Bhd	Undertaking and conducting research studies and analysis on strategic areas of PNB	• Nil
	• UMW Holdings Berhad	Investment holding company in automotive, equipment, manufacturing and engineering, oil and gas, technology as well as property	• Nil
	• UMW Petropipe (L) Ltd	Investment holding in relation to automotive, equipment, manufacturing and engineering, and oil and gas businesses	• Nil
	• PFP (Malaysia) Sdn Bhd	Dormant	• Nil
	• UMW Oil & Gas Corporation Sdn Bhd	Investment holding and provision of full corporate management, administrative and professional services as well as financial support to its subsidiaries	• Nil
	• UMW Fabritech Sdn Bhd	Dormant	• Nil

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Mohd Nizam Zainordin *(Cont'd)*	• UMW Oilfield International (M) Sdn Bhd	Trading of oil country tubular goods and line pipes for the oil and gas sector	• Nil
	• UMW Standard Drilling Sdn Bhd	Oil and gas exploration and production company and engages in contract offshore drilling business	• Nil
	• UMW Equipment & Engineering Pte. Ltd.	Importation, distribution, repair, maintenance and service of all types of industrial and heavy equipment, automotive parts and related spares in Singapore	• Nil
	• UMW Equipment Systems Pte. Ltd.	Investment holding in relation to automotive, equipment, manufacturing and engineering and oil and gas industries	• Nil
	• Vina Offshore Holdings Pte. Ltd.	Dormant	• Nil
	• PFP Singapore Pte. Ltd.	Dormant	• Nil
	• UMW Helmsion Engineering Pte. Ltd	Manufacture of industrial cranes and related products and services	• Nil
	• UMW Standard 1 Pte. Ltd.	Ownership and leasing of rig	• Nil
	• UMW Standard 3 Pte. Ltd.	Dormant	• Nil
	• UMW Singapore Ventures Pte. Ltd.	Investment holding in relation to automotive, equipment, manufacturing and engineering, and oil and gas businesses	• Nil
	• UMW Marine and Offshore Pte. Ltd.	Dormant	• Nil
	• UMW Oilfield Services (Tianjin) Co., Limited	Provision of threading, inspection, repair and maintenance services for oil country tubular goods	• Nil
	• UMW Industrial Equipment (Shanghai) Co., Ltd.	Provision of after-sales and repair services for equipment. Marketing of industrial equipment and provision of after-sales and repair services for equipment rental and industrial equipment	• Nil
	• UMW Industrial Trading (Shanghai) Co., Ltd.	Marketing of Toyota industrial equipment, Aerex and other airport ground support equipment and environmental products	• Nil

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Mohd Nizam Zainordin *(Cont'd)*	• Vision Fleet Equipment Leasing (Shanghai) Co., Ltd.	Rental and fleet management services mainly for products distributed by the UMW Group of China	• Nil
	• PFP (Shenzhen) Piping Materials Co., Ltd	Dormant	• Nil
	• UMW Coating Technologies (Tianjin) Co., Ltd.	Provision of oil and gas-related equipment and pipe coating services	• Nil
	• Sichuan Haihua Petroleum Steel Pipe Co., Ltd.	Manufacturing of oil, gas, water and other liquid form of transmission pipes, and provision of antisepsis coating services for steel pipes	• Nil
	• PFP Taiwan Co., Ltd.	Trading of pipes, fittings and related products	• Nil
	• PFP Holdings Pty. Ltd.	Investment holding in relation to wholesale distribution of hydronic plumbing and heating equipment and supplies	• Nil
	• PFP (Aust) Holdings Pty. Ltd.	Investment holding in relation to piping supplies, valving and pressure vessel components to power generation, processing, mining, petrochemicals and oil and gas industries throughout the Australasian region	• Nil
	• Australasia Piping Products Pty. Ltd.	Dormant	• Nil
	• PFP (Aust) Pty. Ltd.	International trading of a complete range of piping and pressure vessel components	• Nil
	• UMW Australia Ventures Sdn Bhd	Investment holding in relation to automotive, equipment, manufacturing and engineering, and oil and gas businesses	• Nil
	• UMW JDC Drilling Sdn Bhd	Provision of drilling operations for the oil and gas industry	• Nil
	• UMW Equipment Sdn Bhd	Imports, distributes, repairs, maintains and services heavy equipment in Malaysia, Singapore, Brunei, PNG and Myanmar	• Nil
	• UMW Technology Sdn Bhd	Investing in technology companies	• Nil

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Mohd Nizam Zainordin *(Cont'd)*	• UMW Land Sdn Bhd	Business and management building, plantation, immovable property management and maintenance of the property	• Nil
Zainal Abidin Jamal	*Present directorships:*		
	• Maybank Islamic Berhad	Islamic financing	• Chairman
	• Etiqa Takaful Berhad	Islamic insurance	• Nil
	• Lam Soon (M) Berhad	Plantation/milling, refining of cooking oil to the manufacturing of margarine, specialty fats, soap and detergent and oleochemicals	• Nil
	• Prominent Beauty Sdn Bhd	Commercial property investment	• Nil
	• SDB	Investment holding company in motors, industrial and logistics	• Nil
	• Sime Darby Industrial Holdings Sdn Bhd	Investment holding in relation to sales, rental, provision of product support services for heavy machineries, equipment and engines, and provision of industrial services and energy solutions	• Nil
	Previous directorships:		
	• SD Property	Investment holding, property development and provision of management services	• Nil
	• Maybank Trustees Berhad	Trust services	• Nil
	• PNB International Limited	Investment	• Nil
	• Island & Peninsular Sdn Bhd	Holding company	• Nil
	• PNB Asset Management (Japan) Co Ltd	Asset management	• Nil
	• PNB-SBI Asean Gateway Investment Management Limited	Investment	• Nil
	• Etiqa Insurance Berhad	Insurance	• Nil

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Zainal Abidin Jamal *(Cont'd)*	• SP Setia Berhad	Property investment	• Nil
	• Hazama Ando Malaysia Sdn Bhd	Investment holding and property development	• Nil
	• Kesas Holdings Berhad	Investment holding	• Nil
	• Kesas Sdn Bhd	Highway design and construction, management of toll operation and maintenance of highway	• Nil
	• Malayan Banking Berhad	Commercial banking and related financial services	• Nil
	• Maybank International (L) Ltd	Offshore banking	• Nil
	• Maybank International Trust (L) Ltd	Trustees services	• Nil
Tan Sri Datuk Dr. Yusof Basiran	*Present directorships:*		
	• CB Industrial Product Holding Berhad	Mill equipment and parts supplier	• Chairman
	• Bank Negara Malaysia	Central banking	• Nil
	• SDB	Investment holding company in motors, industrial and logistics	• Nil
	• Yuron Sdn Bhd	Dormant	• Nil
	Previous directorship:		
	• Tabung Haji Plantation Berhad Malaysia	Plantation	• Nil
Datuk Zaiton Mohd Hassan	*Present directorships:*		
	• Capital Intelligence Holdings Sdn Bhd	Investment holding company and provision of consultancy and advisory services	• Shareholder with 60% equity interest
	• Capital Intelligence Partners Sdn Bhd, a wholly-owned subsidiary of Capital Intelligence Holdings Sdn Bhd	Investment holding company and provision of consultancy and advisory services	• Nil
	• Capital Intelligence Advisors Sdn Bhd	Provision of consultancy and advisory services	• Shareholder with 99.998% equity interest

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Datuk Zaiton Mohd Hassan *(Cont'd)*	• BIMB Holdings Berhad	Investment holding company with business transacted in accordance with Islamic principles	• Nil
	• Bank Islam Malaysia Berhad (subsidiary of BIMB Holdings Berhad)	Islamic banking	• Nil
	• Dolphin International Berhad	Investment holding while its subsidiaries are involved in the sale, design, engineering, development and integration of electro-automation, pneumatic, hydraulic, hardware and software systems and related proprietary products for the palm oil milling sector	• Nil
	• Salasiah Commerz International Ltd	Provision of corporate advisory services	• Nil
	• Salasiah Commerz International Sdn Bhd	Investment holding company and provision of consultancy and advisory services	• Nil
	• Rothschild Malaysia Sdn Bhd	Provide impartial, expert advisory and execution services to large and mid-sized corporations, private equity, families and entrepreneurs, and governments	• Nil
	• FIDE Forum	Create a network of financial institutions' directors to foster and synergise communication, cooperation and collaboration among its members and stakeholders	• Nil
	• Sime Darby Logistic Sdn Bhd (formerly known as Sime Darby Utilities Sdn Bhd)	Investment holding	• Nil
	• Sime Darby Motors Sdn Bhd	Investment holding	• Nil
	• Yayasan Masjid Cina	Build mosque on any piece of land which the foundation has been granted permission	• Nil
	• SCIL Resources Sdn Bhd	Construction, trading, general merchant, import, export, wholesale and retail goods	• Nil
	• SDB	Investment holding company in motors, industrial and logistics	• Nil

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Datuk Zaiton Mohd Hassan *(Cont'd)*	• Sime Darby Overseas (HK) Limited	Investment holding	• Nil
	• Malaysian Institute of Corporate Governance	Promote and encourage corporate governance development, provide education and training for the benefit of its members and other interested institutions or bodies in Malaysia	• Nil
	Previous directorship:		
	• Nil		
Muhammad Lutfi	*Present directorships:*		
	• PT Medco Energi Internasional Tbk	Oil and gas exploration and production	• President Commissioner
	• SDB	Investment holding company in motors, industrial and logistics	• Nil
	Previous directorship:		
	• Nil		
Dato' Che Abdullah @ Rashidi Che Omar	*Present directorships:*		
	• Loh & Loh Corporation Berhad	Business in civil and structural engineering, mechanical and electrical engineering and property development	• Nil
	• Tadmax Resources Berhad	Property development, agriculture development and industrial supply	• Nil
	• Tadmax Concrete (KL) Sdn Bhd	General merchants, traders and dealers	• Nil
	• Ultraglade Sdn Bhd	General trading real property holding and investment holding	• Nil
	• Mercu Emas Sdn Bhd	Dormant	• Shareholder with 50% equity interest
	• Ring Excellence Sdn Bhd	General trading and investment holding	• Shareholder with 99.999% equity interest
	Previous directorship:		
	• SRC International Sdn Bhd	Exploration, extraction, processing, logistics and trading of conventional and renewable energy resources, natural resources and minerals	• Nil

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Ting Min	*Present directorship:*		
	• Credit Suisse Securities Nominees (Tempatan) (Malaysia) Sdn Bhd *(in members' voluntary winding-up)*	Dormant	• Nil
	Previous directorship:		
	• Nil		

9.1.4 Involvement of our Directors in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers and/or suppliers

Save as disclosed below, as at the LPD, none of our Directors have any interest, direct or indirect, in other businesses or corporations which are (i) carrying on a similar trade as that of our Group; or (ii) our customers and/or suppliers:

Director	Businesses/ Corporations	Principal activities	Nature of interest	% shareholding Direct	% shareholding Indirect
	Similar trade as that of our Group				
Dato' Mohamad Nasir Ab. Latif	• United Plantations Berhad	Oil palm and coconut cultivation and processing thereof	Director	-	-
Zainal Abidin Jamal	• Lam Soon (M) Berhad	Plantation/milling, refining of cooking oil to the manufacturing of margarine, specialty fats, soaps and detergents and oleochemicals	Director	-	-
	Customers and/or suppliers				
Tan Sri Datuk Dr. Yusof Basiran	• CB Industrial Product Holding Berhad	Mill equipment and parts supplier	Chairman	0.15%	-

Our Directors are of the view that the involvement of and/or interests held by the abovementioned Directors in other businesses or corporations which carry on similar trade as that of our Group or is our supplier, do not give rise to any conflict of interest situation with the business currently held and pursued by our Group as they are non-executive directors and are not involved in the day-to-day operations of these companies.

On matters or transactions requiring the approval of our Board, a Director who is deemed interested or conflicted in such matters will be required to declare his interest and abstain from deliberations and voting on the resolutions relating to these matters or transactions.

9.1.5 GAC

Our GAC was established by our Board on 11 February 2011. Our GAC currently comprises the following members, of which a majority of them are Independent Non-Executive Directors:

Name	Designation	Directorship
Datuk Zaiton Mohd Hassan	Chairman	Senior Independent Non-Executive Director
Dato' Che Abdullah @ Rashidi Che Omar	Member	Independent Non-Executive Director
Dato' Mohd Nizam Zainordin	Member	Non-Independent Non-Executive Director
Tan Ting Min	Member	Independent Non-Executive Director

The duties and functions of our GAC comprise, among others, the following:

(i) Financial reporting and performance oversight

Review the quarterly and annual financial statements of our Company with management and the external auditors focusing on the matters set out below, prior to approval by our Board:

(a) any change in accounting policies and practices, and its implementation;

(b) significant adjustments arising from the audit;

(c) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;

(d) the going concern assumption; and

(e) compliance with accounting standards and regulatory requirements.

(ii) Oversight of Group Corporate Assurance Department ("GCAD") and Group Compliance Office ("GCO"), and environmental control

(a) Oversee the effectiveness of the internal controls framework.

(b) Review and approve the GCAD audit plan and budget, risk assessment and audit methodology.

(c) Review the adequacy of internal audit scope, audit programmes, functions, competency and resources of GCAD and GCO, and ensure they are able to undertake their activities independently and objectively, and that they have the necessary authority to carry out their work.

(d) Review the internal audit reports, discuss major findings and management's responses, and ensure appropriate action is taken on the recommendations of GCAD and GCO.

(e) Assess and review the performance and effectiveness of the respective Heads of GCAD and GCO.

(iii) Governance oversight

Drive the code of conduct and ethics programme across our Group and monitor the progress of implementation.

(iv) Dealings with external auditors

(a) Recommend to our Board the appointment of external auditor and the audit fee, and any resignation or dismissal of external auditor.

(b) Assess and monitor the performance, suitability, objectivity and independence of the external auditor annually.

(c) Discuss the following with the external auditor prior to commencement of the audit:

- any change in accounting policies and practices, and its implementation;
- the nature and scope of the audit;
- the audit plan;
- evaluation of the system of internal controls; and
- the audit reports.

(v) Related party transactions

(a) Ensure that management establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting and monitoring conflict of interest situations and related party transactions.

(b) Review and report to our Board any related party transactions entered into by our Group.

9.1.6 Nomination and Remuneration Committee

Our Nomination and Remuneration Committee was established by our Board on 14 July 2017. Our Nomination and Remuneration Committee currently comprises the following members, of which a majority of them are Independent Non-Executive Directors:

Name	Designation	Directorship
Tan Sri Datuk Dr. Yusof Basiran	Chairman	Independent Non-Executive Director
Datuk Zaiton Mohd Hassan	Member	Senior Independent Non-Executive Director
Dato' Che Abdullah @ Rashidi Che Omar	Member	Independent Non-Executive Director
Dato' Mohd Nizam Zainordin	Member	Non-Independent Non-Executive Director

Our Nomination and Remuneration Committee undertakes, among others, the following functions:

(i) Nomination functions and duties

(a) Assessment of board composition

- Establish a policy formalising our approach to boardroom diversity.
- Annually evaluate, review and recommend to our Board the appropriate size of our Board, required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors shall bring to our Board to ensure that they are in line with our requirements.
- Consider and recommend any policy regarding the period of service of Non-Executive Directors, tenure of Independent Directors and the term of office of Board Committee members, including the Chairman of Board Committees.

(b) Appointments

- Consider and recommend to our Board the selection criteria for new appointment as Directors of our Company.
- Consider and recommend to our Board the composition of our Board which must comprise a majority of Independent Directors.
- Consider the need to appoint a Senior Independent Non-Executive Director, and if deemed appropriate, recommend to our Board for approval.

- Review and recommend to our Board the appointment, evaluation, resignation, disciplinary actions and termination of the Executive Deputy Chairman and Managing Director position.

- Review and, if deemed appropriate, endorse for our Board's approval, the recommendations of the Executive Deputy Chairman and Managing Director on the appointment, evaluation, promotion, resignation, disciplinary actions and termination of the senior personnel of our Company.

- Ensure that appointments of senior personnel are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

(c) Retirement and re-election

- Ensure that every Director, including the Executive Directors, shall be subject to retirement at least once every 3 years. A retiring Director shall be eligible for re-election.

- Recommend to our Board, candidates for re-election of Directors by shareholders.

(d) Succession planning

- Oversee succession planning for the Chairman of our Board and our Directors.

- Oversee that an appropriate succession planning framework, talent management and human capital development programme is in place for the position of the Executive Deputy Chairman and Managing Director and senior personnel.

(e) Annual performance assessment

- Assist our Board in establishing procedures and processes towards an annual assessment of the effectiveness of our Board as a whole and each Board Committee (including its size and composition), as well as the contribution of each individual Director.

- Develop, maintain and review the criteria for evaluating our Board's, Board Committees' and each individual Director's performance.

- Conduct a Board evaluation which is periodically facilitated by a professional, experienced and independent party.

(f) Training and development

- Recommend suitable orientation and training programmes to continuously train and equip new and existing Directors.

(ii) Remuneration functions and duties

(a) Review and recommend to our Board a formal and transparent remuneration policy and framework for Directors and senior personnel of our Company.

(b) Review and, if deemed appropriate, endorse for our Board's approval, the annual bonus and salary increment framework for our Company, including the total quantum of payment.

(c) Review and recommend to our Board the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the Executive Deputy Chairman and Managing Director position.

(d) Review and, if deemed appropriate, endorse for our Board's approval, the recommendations of the Executive Deputy Chairman and Managing Director on the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the senior personnel.

(iii) Disclosure and reporting

(a) Ensure that a statement on the committee's activities in the discharge of its nomination duties for the financial year is included in our Company's annual report.

(b) Ensure detailed disclosure on named basis for the remuneration of individual Directors.

9.1.7 Risk Management Committee

Our Risk Management Committee was established by our Board on 14 July 2017. Our Risk Management Committee currently comprises the following members, of which a majority of them are Independent Non-Executive Directors:

Name	Designation	Directorship
Zainal Abidin Jamal	Chairman	Non-Independent Non-Executive Director
Datuk Zaiton Mohd Hassan	Member	Senior Independent Non-Executive Director
Tan Ting Min	Member	Independent Non-Executive Director

Our Risk Management Committee undertakes, among others, the following functions:

(i) oversee our Group's risk management process;

(ii) evaluate new risks identified by Group Risk Management ("**GRM**") including the likelihood of the emerging risks happening in the future and consider the need to put in place the appropriate controls;

(iii) review and recommend our Group's level of risk tolerance and actively identify, assess and monitor key business risks;

(iv) establish and periodically review our Group's risk management guidelines and policies, and ensure implementation of the objectives outlined in the policies and compliance with them;

(v) recommend for our Board's approval our Group's risk management framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto; and

(vi) evaluate the effectiveness of the GRM's structure, risk management processes and support system to identify, assess, monitor and manage our Group's key risks.

9.1.8 Sustainability Committee

Our Sustainability Committee was established by our Board on 14 July 2017. Our Sustainability Committee currently comprises the following members, all of whom are Non-Executive Directors:

Name	Designation	Directorship
Dato' Che Abdullah @ Rashidi Che Omar	Chairman	Independent Non-Executive Director
Muhammad Lutfi	Member	Independent Non-Executive Director
Zainal Abidin Jamal	Member	Non-Independent Non-Executive Director
Dato' Mohamad Nasir Ab. Latif	Member	Non-Independent Non-Executive Director

Our Sustainability Committee undertakes, among others, the following functions:

(i) Sustainability and operational excellence

(a) Provide oversight and input to management to ensure that our strategies, goals and principles pertaining to sustainability and operational excellence are aligned with, as well as promote and encourage our commitment towards sustainability.

(b) Advise on our Group's Sustainability Report and any other issue-specific reports prior to reporting to our Board.

(c) Review issues relating to sustainability arising from independent audits and assurance reports as well as any matters highlighted by the consultants.

(d) Consider and recommend to our Board positioning on relevant emerging sustainability issues.

(e) Oversee the stakeholder dialogue process and its outcomes, and address social and environmental matters with regard to the strategic sustainability goals, in particular, matters that may affect our reputation.

(ii) Oversight of Independent Sustainability Advisor

Approve the appointment of the Independent Sustainability Advisor, who will be responsible for the following:

(a) identify emerging sustainability trends and their implications;

(b) review and update our Group's Sustainability Principles and plans, and advise on its implementation across our Group; and

(c) assess our progress towards achieving sustainable outcomes as defined by our Group's Sustainability Principles.

9.1.9 Service contract with our Directors

As at the date of this Prospectus, there is no existing or proposed service contract between our Directors and us that provides for benefits payable on termination of employment.

9.1.10 Remuneration and material benefits of our Directors

The aggregate remuneration and material benefits paid and proposed to be paid to our Directors for their services rendered to our Group in all capacities for the FYE 30 June 2017 and estimated for the FYE 30 June 2018 respectively, are as follows:

Director	For the FYE 30 June 2017 (Actual)	For the FYE 30 June 2018 (Estimate)
Tan Sri Dato' A. Ghani Othman	RM150,001 - RM200,000	RM700,001 - RM750,000
Tan Sri Dato' Seri Mohd Bakke Salleh	-	RM6,100,001 - RM6,150,000
Dato' Mohamad Nasir Ab. Latif	-	RM350,001 - RM400,000
Dato' Mohd Nizam Zainordin	-	RM400,001 - RM450,000
Zainal Abidin Jamal	-	RM450,001 – RM500,000
Tan Sri Datuk Dr. Yusof Basiran	RM250,001 - RM300,000*	RM600,001 - RM650,000*
Datuk Zaiton Mohd Hassan	RM100,001 - RM150,000	RM500,001 - RM550,000
Muhammad Lutfi	RM150,001 - RM200,000*	RM600,001 - RM650,000*
Dato' Che Abdullah @ Rashidi Che Omar	RM300,001 - RM350,000*	RM700,001 – RM750,000*
Tan Ting Min	-	RM400,001 - RM450,000

Note:

* *Inclusive of directors' fees payable by our subsidiaries*

The remuneration of our Directors, which includes salaries, Directors' fees, bonuses and such other allowances as well as benefits, must be considered and recommended by our Nomination and Remuneration Committee and subsequently approved by our Board. Our Directors' fees and benefits payable must be further approved/endorsed by our shareholders at a general meeting.

9.2 KEY MANAGEMENT

The members of our key management as at the date of this Prospectus are set out below:

Name	Nationality	Age	Designation
Tan Sri Dato' Seri Mohd Bakke Salleh	Malaysian	63	Executive Deputy Chairman and Managing Director
Datuk Franki Anthony Dass	Malaysian	61	Chief Advisor and Value Officer
Renaka Ramachandran	Malaysian	50	CFO
Mohamad Helmy Othman Basha	Malaysian	50	Chief Operating Officer, Upstream
Mohd Haris Mohd Arshad	Malaysian	45	Chief Operating Officer, Downstream
Dr. Simon Lord	British	60	Chief Sustainability Officer
Dr. Harikrishna Kulaveerasingam	Malaysian	56	Head of R&D Centre

The management and operations of our Group is led by Tan Sri Dato' Seri Mohd Bakke Salleh, our Executive Deputy Chairman and Managing Director.

9.2.1 Profiles of our key management

(i) **Tan Sri Dato' Seri Mohd Bakke Salleh** is our Executive Deputy Chairman and Managing Director. For details of his profile, please refer to Section 9.1.1(ii) of this Prospectus.

(ii) **Datuk Franki Anthony Dass**, a Malaysian aged 61, is our Chief Advisor and Value Officer. He graduated with a Bachelor's degree in Agriculture Science from Universiti Pertanian Malaysia, Serdang in 1980 and is a Fellow of the Incorporated Society of Planters, Malaysia since 2016.

He started his career in 1980 as an Assistant Manager at Kumpulan Guthrie Berhad and continued serving in the company until 2007 as Head, Plantation Operations Minamas, Plantation. After the Merger in 2007, he joined Sime Darby Holdings Berhad, a wholly-owned subsidiary of SDB, as CEO, Minamas Plantation, Plantation and Agri-business Division and was then promoted to Head, Upstream Operations, Sime Darby Plantation & Agri-business Division on 1 April 2010. He was then appointed as the Acting Executive Vice President, Plantation Division from 1 May 2010 to 30 November 2010, and later assumed the position of Executive Vice President, Plantation Division from 1 December 2010. This position was later redesignated to Managing Director, Plantation Division on 8 October 2015 and CEO, Plantation on 14 July 2017.

He was then appointed as our Chief Advisor and Value Officer on 21 November 2017. In this capacity, he is responsible for providing coaching on technical and strategic matters and mentoring the next generation of leaders, leading the execution and culture transformation as well as ensuring progress on value creation initiatives of our Company.

He is a Council Member of the Malaysian Productivity Council, Chairman of the Malaysian Palm Oil Association, a member of the Program Advisory Council of the MPOB and a member of the board of trustees of the Malaysian Palm Oil Council.

(iii) **Renaka Ramachandran**, a Malaysian aged 50, is our CFO. She obtained her Diploma in Financial Accounting from Tunku Abdul Rahman College in 1990. She was qualified as a Chartered Accountant in 1992 and was admitted as a member of the Association of Chartered Certified Accountants in 1998. She became a Fellow of the Association of Chartered Certified Accountants in 2002.

She started her career as an Audit Associate with Raj and Associates in 1991 where she was leading small audit engagements until 1992. She joined Coopers and Lybrand (now known as PricewaterhouseCoopers) in 1992 as an Audit Associate and moved up the ranks to the position of Executive Director on 1 January 2004. As an Executive Director, she was involved in, among others, the audit of public listed companies, review of profit and cash flow forecast and projections for restructurings and initial public offerings, due diligence and financial analysis. Her roles included overseeing working teams, giving presentations and providing training for both internal staff and external clients. She was also the representative of PricewaterhouseCoopers and committee member on the working group of IAS 41 (accounting standard on agriculture) in the Malaysian Accounting Standards Board.

She left PricewaterhouseCoopers in 2011 to join our Company as CFO, a position she still holds. As our CFO, she oversees various departments within our Group, which include finance, information technology, compliance and risk (of the Global Trading and Marketing Unit) and upstream productivity departments.

She has been actively involved in the Malaysian Accounting Standards Board for the changes to IAS 41 (accounting standard on agriculture) by working on papers with the Malaysian Accounting Standards Board for its onward discussion with the International Accounting Standards Board.

(iv) **Mohamad Helmy Othman Basha**, a Malaysian aged 50, is our Chief Operating Officer, Upstream. He undertook his Association of Chartered Certified Accountants studies at Trent Polytechnic (Nottingham Trent University), Nottingham, United Kingdom and later obtained his qualification from Emile Woolf College of Accountancy, London in 1990. In 1996, he was admitted as a member of the Association of Chartered Certified Accountants. He became a Fellow of the Association of Chartered Certified Accountants in 2001.

He started his career as a Trainee Accountant/Auditor with Wellers, Accountants, Oxford, United Kingdom in 1988 where he led various audit and taxation engagements until 1990. He then joined Shell Refining Company (FOM) Bhd in 1991 as Head of General Accounts and later as Project Accountant. In 1993, he assumed the position of Area Accountant for Shell Malaysia Trading Sdn Bhd (Southern Region) and subsequently held the role of Indirect Tax Advisor for Shell Malaysia Ltd until his resignation in 1997. At Shell group of companies, he was responsible for credit appraisals and control of customers' accounts in the region. He was also involved in formulating strategies for all Shell companies in Malaysia to minimise the effects of indirect taxation and maximise efficiency. He spearheaded the company's strategy to maximise local material sourcing and equipment.

He joined Guthrie Property Holding Sdn Bhd in 1997 as Finance and Administration Manager and worked with the Kumpulan Guthrie Berhad group of companies until 2007, which include: (a) Kumpulan Guthrie Berhad as General Manager, Finance; Guthrie Landscaping Sdn Bhd as General Manager and Guthrie Property Holding Sdn Bhd as General Manager, Finance, from 1997 to 2001; (b) Kumpulan Guthrie Berhad and Minamas Plantation, Indonesia as Group General Manager, Finance from 2001 to 2003, Head (Director) of Marketing from 2003 to 2004, Head (Director) of Corporate Planning and Strategic Development from 2004 to 2006, and Head (Director) of Plantation Malaysia from 2006 to 2007 in charge of 100,000 Ha of plantation. He was also CEO of Highlands & Lowlands Berhad and Guthrie Ropel Berhad, 2 listed companies within the Kumpulan Guthrie Berhad group from 2006 to 2007. In 2001, he was a key member of the team that acquired and later restructured Minamas Plantation, Indonesia.

After the Merger in 2007, he joined our Company as Head (Senior Vice President I) of Plantation Upstream where he managed about 340,000 Ha of plantation with 40,000 employees at all the estates and palm oil mills of our Group across Malaysia. He also headed overseas plantation expansion into Africa and further expansion in Indonesia. In 2014, he left our Company to set up Xcellence Alliance Sdn Bhd and Chemara Palmea Holdings Bhd, vehicles for investment in plantation as well as providing investment advisory services. He later joined our Company in 2016 as our Head, Plantation Services and Special Project. He was then appointed as Chief Operating Officer, Upstream in 2017 to lead the Plantation Upstream business of our Company.

He is a member of the Malaysian Institute of Accountants since 2001, a member of Incorporated Society of Planters since 2006 and the President of Malayan Agricultural Producers Association since 2017.

(v) **Mohd Haris Mohd Arshad**, a Malaysian aged 45, is our Chief Operating Officer, Downstream. He graduated with a Bachelor of Science degree in Business Administration from University of Arizona, USA in 1994.

He started his career in 1995 as a Senior Trader (Palm and Lauric Oils) with Cargill Malaysia and Philippines where he was involved in, among others, hedging activities in order to establish trading positions and ensuring uninterrupted supply of feedstock into refineries, and assisted with the company's lauric oil merchandising.

In 2001, he went on to join Nestle SA (Singapore) as General Manager for Commodity Procurement for Asia, Oceania and Africa Regions and was also appointed as the Head of Global Oils and Fats, Risk Management unit in 2006. Under these capacities, he was responsible for leading supplier development works, as well as, regional oils and fats procurement initiatives respectively.

In 2010, he joined Unilver Plc (Singapore) as Director of Commodity Risk Management, where he was in charge of managing Unilever's global oils and fats price exposure within the company's annual spend budget, developing market analysis and price forecasting, and introduced the use of optimal and appropriate hedging tools.

He left Unilever Plc (Singapore) in 2014 and joined our Company in the same year as Head of Global Trading and Marketing ("**GTM**")/Downstream Manufacturing ("**DM**"). As the Head of GTM/DM, he oversees the growth contribution of both GTM and DM to our Company's overall revenue stream, as well as other DM-related activities such as the manufacturing/processing of our products (for example, palm oil, PKO and processed palm oil) across Asia Pacific, Europe and Africa.

(vi) **Dr. Simon Lord**, a British citizen aged 60, is our Chief Sustainability Officer. He graduated with a Bachelor of Science degree in Applied Biology from Lanchester (Coventry) Polytechnic, United Kingdom in 1980. He later obtained his PhD in Environmental Effects of Pesticides from University of Bath, United Kingdom in 1986.

He started his career in 1985 as a Management Trainee at Unilever PLC - Unilever Plantations Ltd, and rose through the ranks as Business Development Manager in 1996. He then joined NBPOL as Head of Technical Services from 1996 to 2004 and Head of Research from 2004 to 2007, and later moved to New Britain Plantation Services Pte. Ltd, Singapore as Group Director for Sustainability from 2007 to 2015.

He was also the Vice President/Executive Board Member of the RSPO Board until 2012.

He was the Group Chief Sustainability Officer of Sime Darby Holdings Berhad, a wholly-owned subsidiary of SDB, from 2015 until 2017. He was then appointed as our Chief Sustainability Officer on 21 November 2017. As the Group Chief Sustainability Officer, he was responsible for directing sustainability initiatives and implementing programmes to promote responsible and ethical production across the SDB Group. He was also responsible for the SDB Group's environmental, social and governance reporting.

(vii) **Dr. Harikrishna Kulaveerasingam**, a Malaysian aged 56, is our Head of R&D Centre. He graduated with a Bachelor's degree from London University in 1985. He also obtained a PhD in Plant Molecular and Developmental Biology from Leicester University in 1989.

He started his career as a Post-Doctoral Researcher with the University of California, Davis in 1990. He then joined Golden Hope Plantations Bhd as a Biotechnologist in 1991. He returned to academia as a Lecturer at Universiti Putra Malaysia in 1995 where he stayed until 2002 as an Associate Professor. Subsequently, he joined Sime Darby Technology Centre Sdn Bhd, a wholly-owned subsidiary of SDB, in 2003 as General Manager, Biotechnology, where he helped establish a new technology centre with biotechnology capability, and subsequently assumed the position as Director of Research in 2005.

He left Sime Darby Technology Centre Sdn Bhd to join our Company in 2007 as Senior Vice President II, Head Quantum Leap R&D until 2012. Since then, he has held various capacities in our Company, which include: (a) Senior Vice President II, Biotechnology and Breeding from 2012 to 2015; (b) Head (in Charge), R&D from 2015 to 2016; and (c) Head, R&D since 2016.

His past and present responsibilities include all R&D-related works of the Plantation Division in supporting operations through technical advisory and research. He has also been actively involved in developing and discovering oil palm genomics and technology output to support palm breeding operations as a way to improve yields and provide means for our Company to be globally competitive against other vegetable oil players.

9.2.2 Shareholdings of our key management

As at the LPD, SDB owns all of our issued Shares. Since our key management do not own any SDB Shares as at the LPD, none of the key management has any direct and indirect shareholdings in our Company after the Pre-Listing Restructuring.

9.2.3 Involvement of our key management in other principal business activities outside our Group

Save as disclosed in Section 9.1.3 of this Prospectus and below, as at the LPD, none of our key management is involved in other principal business activities outside our Group.

Key management	Directorships	Principal activities	Involvement in business activities other than as a director
Datuk Franki Anthony Dass	• Emery Malaysia	Investment holding and production of oleochemicals and derivatives	• Nil
	• Emery Specialty Chemicals Sdn Bhd	Investment holding	• Nil
	• Rizhao SD Oils & Fats	Storage and marketing of palm oil related products	• Nil
	• Guangzhou Keylink Chemical Co Ltd	Manufacturing of surface active agents	• Nil

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Key management	Directorships	Principal activities	Involvement in business activities other than as a director
Datuk Franki Anthony Dass *(Cont'd)*	• Verdezyne	Production of drop-in alternatives to petroleum-derived chemicals from palm-based products and by-products	• Nil
Renaka Ramachandran	• Barlow Bulking Sdn Bhd	Bulking and marketing facilities for edible oil producers and millers	• Nil
	• Emery Malaysia	Investment holding and production of oleochemicals and derivatives	• Executive Committee
	• Emery Specialty Chemicals Sdn Bhd	Investment holding	• Nil
	• MyBiomass	Develop and pioneer high value green chemicals bio-refinery through coordinated aggregation	• Nil
	• Verdezyne	Production of drop-in alternatives to petroleum-derived chemicals from palm-based products and by-products	• Nil
Mohd Haris Mohd Arshad	• Emery Malaysia	Investment holding and production of oleochemicals and derivatives	• Nil
	• Emery Specialty Chemicals Sdn Bhd	Investment holding	• Nil
	• Guangzhou Keylink Chemical Co Ltd	Manufacturing of surface active agents	• Nil
	• Rizhao SD Oils & Fats	Storage and marketing of palm oil related products	• Nil
Dr. Harikrishna Kulaveerasingam	• MyBiomass	Develop and pioneer high value green chemicals bio-refinery through coordinated aggregation	• Nil

The involvement of Tan Sri Dato' Seri Mohd Bakke Salleh in other principal business activities outside our Group as highlighted in Section 9.1.3 of this Prospectus are not expected to affect his contribution to our Group as our Executive Deputy Chairman and Managing Director as he is not actively involved in the management and day-to-day operations of these businesses and/or corporations and his involvement only relates to an oversight role.

The involvement of our other key management in other principal business activities outside our Group as set out above, is merely acting as the nominee Directors representing our Company.

9.2.4 Service contract with our key management

As at the date of this Prospectus, there is no existing or proposed service contract between our key management and us that provides for benefits payable on termination of employment.

9.3 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

9.3.1 Profile of the Promoter and our substantial shareholders

SDB was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 7 November 2006 under the name of Synergy Drive Sdn Bhd and is deemed registered under the Act. On 5 April 2007, SDB was converted into a public company and assumed the name of Synergy Drive Berhad. SDB assumed its present name on 27 November 2007 and was listed on the Main Market of Bursa Securities on 30 November 2007.

As at the date of this Prospectus, SDB is a diversified multinational company in Malaysia, with businesses in various sectors, namely, plantation, property, industrial equipment, motors and logistics, with operations in 25 countries and 4 territories. SDB is one of the largest companies listed on Bursa Securities and has a market capitalisation of RM62.57 billion as at the LPD.

Upon completion of the Pre-Listing Restructuring, 3 separate and independent listed entities with distinct businesses under the SDB Group will be created, with our Company and SD Property to undertake the plantation and property businesses of the SDB Group respectively, while SDB is to remain listed on the Main Market of Bursa Securities with the following businesses:

(i) trading comprising motors and industrial;
(ii) logistics; and
(iii) other businesses comprising healthcare, insurance, retail and other investments.

As at the LPD, SDB owns all of our issued Shares. However, SDB will not hold any of our issued Shares after completion of the Pre-Listing Restructuring.

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Based on the Record of Depositors of SDB as at the LPD, the direct and indirect shareholdings of our substantial shareholders in our Company (assuming that the Pre-Listing Restructuring is completed as at the LPD) are as follows:

	Direct		**Indirect**	
Substantial shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
ASB	2,831,500,000	41.63	-	-
EPF	681,067,010	10.01	84,359,421	1.24
KWAP	352,183,855	5.18	27,039,018	0.40
PNB	353,397,392	5.20	-	-
Yayasan Pelaburan Bumiputra	-	-	353,397,392[(1)]	5.20[(1)]

Note:

(1) Deemed interested by virtue of its interest in PNB pursuant to Section 8 of the Act.

9.3.1.1 ASB

ASB is a unit trust fund constituted in Malaysia pursuant to a trust deed dated 21 October 1989, as amended by the supplemental deeds relating thereto. The management company of ASB is Amanah Saham Nasional Berhad, which is a wholly-owned subsidiary of PNB. PNB was appointed the investment manager of ASB under an investment management agreement dated 14 May 2001. AmanahRaya Trustees Berhad ("**ART**") was appointed the Trustee of ASB under the said trust deed.

ART was incorporated in Malaysia under the Companies Act 1965 on 23 March 2007 and is deemed registered under the Act. It was registered as a trust company under the Trust Companies Act 1949 on 7 August 2007. It was registered by the SC as an eligible trust corporation to act as trustee to unit trust schemes, corporate bonds and private retirement schemes on 6 November 2007, 29 November 2007 and 22 June 2012 respectively.

9.3.1.2 EPF

EPF is a social security institution established under the Employees Provident Fund Act 1991, which provides retirement benefits for its members through management of their savings in an efficient and reliable manner. The members of EPF are the private and non-pensionable public-sector employees.

The principal activities of EPF are to receive and collect contributions, to meet all withdrawals of savings and other benefits to members or their beneficiaries upon satisfaction of any condition for withdrawals, and to invest the monies in the fund for the benefit of its members. EPF has investments in various asset classes namely equities, Malaysian Government Securities, loans and bonds, real estate and infrastructure.

EPF is not involved in the day-to-day management of its investee companies.

9.3.1.3 KWAP

KWAP is a body corporate established in Malaysia on 1 March 2007 under the Retirement Fund Act 2007 ("**Retirement Fund Act**") replacing the repealed Pension Trust Fund Act 1991. With the incorporation of KWAP, all powers, functions, activities, assets and liabilities of the Pension Trust Fund were taken over in totality by KWAP.

The objective of KWAP is to administer and manage the fund established under Section 13 of the Retirement Fund Act ("**Fund**") towards achieving optimum returns on its investments. The Fund shall be applied towards assisting the Malaysian government in financing its pension liability.

The functions of KWAP include:

(i) management of contributions from the Malaysian government, statutory bodies, local authorities and other agencies of Malaysia;

(ii) administration, management and investment of the Fund in equity, fixed income securities, money market instruments and other forms of investments as permitted under the Retirement Fund Act; and

(iii) management and payment of pension.

As at the LPD, the Fund stood at RM137.83 billion (at cost).

9.3.1.4 PNB

PNB was incorporated on 17 March 1978 in Malaysia as an investment holding company with a diversified portfolio of interests that include asset management, unit trusts, institutional property trusts and property management. It owns the country's largest unit trust management companies, among others, Amanah Saham Nasional Berhad and Amanah Mutual Berhad. Together with its proprietary fund, PNB currently manages more than RM260 billion worth of assets.

9.3.1.5 Yayasan Pelaburan Bumiputra

Yayasan Pelaburan Bumiputra or Bumiputra Investment Foundation is a company limited by guarantee incorporated in Malaysia under the Companies Act 1965 on 9 January 1978 as a coordinating body for investment activities in the corporate sector by government agencies, Bumiputera companies and Bumiputera individuals. It was established under the guidance of a working committee backed by the Malaysian government.

9.3.2 Changes in the Promoter's and our substantial shareholders' shareholdings in our Company for the past 3 years

Prior to the Pre-Listing Restructuring, SDB owns all of our issued Shares. As such, there is no change in the Promoter's and our substantial shareholders' shareholdings in our Company for the past 3 years up to the LPD.

9.3.3 Involvement of our substantial shareholders in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers and/or suppliers

Save as disclosed below, as at the LPD, none of our substantial shareholders have any interest, direct or indirect, in other businesses or corporations which are (i) carrying on a similar trade as that of our Group, or are (ii) our customers and/or suppliers.

Substantial shareholder	Businesses/ Corporations	Principal activities	Nature of interest	% shareholding/ unitholding Direct	% shareholding/ unitholding Indirect
ASB	***Similar trade as that of our Group***				
	IOI Corporation Bhd	Investment holding (plantation and others)	Interest in shares	4.38	-
	Kuala Lumpur Kepong Bhd	Producing and processing of palm products and natural rubber	Interest in shares	3.84	-
	Felda Global Ventures Holdings Berhad ("**FGV**")	Investment holding (plantation and others)	Interest in shares	1.37	-
	Lam Soon (M) Berhad	Plantation/milling, refining of cooking oil to the manufacturing of margarine, specialty fats, soaps and detergents and oleochemicals	Interest in shares	15.06	-
	Customers and/or suppliers				
	Unilever (Malaysia) Holdings Sdn Bhd	The company, together with its subsidiaries, operates in the FMCG industry worldwide	Interest in shares	23.39	-
	Petronas Dagangan Bhd	Marketing and distribution of petroleum products	Interest in shares	5.07	-
	FGV Trading Sdn Bhd	The company is the trading arm of FGV and trades bulk palm oil	Indirect interest in shares through FGV	-	1.37

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Substantial shareholder	Businesses/ Corporations	Principal activities	Nature of interest	% shareholding/ unitholding Direct	Indirect
EPF	***Similar trade as that of our Group***				
	Genting Plantation Bhd	Investment holding company which through its subsidiaries, carries on the business of developing and investing in properties, processing FFB, trading of rubber wood, provides palm oil mill management services, and operates golf course	Interest in shares	14.42	-
	Hap Seng Plantations Holdings Bhd	Cultivating oil palm and FFB, and processing thereof. The company operates and manages their plantations and mills as well as the infrastructure to store and transport CPO and PK	Interest in shares	8.46	-
	IJM Plantations Bhd	Investment holding company, and through its subsidiaries, carries on the business of cultivating oil palm and milling	Interest in shares	14.24	-
	IOI Corporation Bhd	Investment holding (plantation and others)	Interest in shares	10.22	-
	Kuala Lumpur Kepong Bhd	Producing and processing of palm products and natural rubber	Interest in shares	12.16	-
	TH Plantations Bhd	Investment holding company which also cultivates palm oil, processes FFB, markets CPO, palm oil and FFB, as well as provides management services	Interest in shares	6.81	-
	TSH Resources Bhd	Oil palm cultivation and processing thereof	Interest in shares	6.61	-

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Substantial shareholder	Businesses/ Corporations	Principal activities	Nature of interest	% shareholding/ unitholding Direct	Indirect
EPF *(Cont'd)*	United Malacca Bhd	Investment holding company which carries on the business of oil palm cultivation and processing thereof	Interest in shares	8.25	-
	United Plantations Berhad	Oil palm and coconut cultivation and processing thereof	Interest in shares	14.41	-
	Customers and/or suppliers				
	Petronas Dagangan Bhd	Marketing and distribution of petroleum products	Interest in shares	3.32	-
	PT Unilever Indonesia Tbk	Manufacturing soaps, detergents, margarine, oil and dairy-based foods, tea-based beverages, ice cream, and cosmetics	Interest in shares	0.42	-
	Unilever PLC	Manufacturing branded and packaged consumer goods, including food, detergents, fragrances, home, and personal care products	Interest in shares	0.18	-
	Unilever NA	Manufacturing branded and packaged consumer goods, including food, detergents, fragrances, home, and personal care products	Interest in shares	0.05	-
KWAP	***Similar trade as that of our Group***				
	TDM Berhad	Investment holding company where its plantation division is involved mainly in oil palm plantation	Interest in shares	8.96	0.21

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Substantial shareholder	Businesses/ Corporations	Principal activities	Nature of interest	% shareholding/ unitholding Direct	% shareholding/ unitholding Indirect
KWAP *(Cont'd)*	Boustead Holdings Berhad	Investment holding company with its subsidiaries principally involved in plantation, property development and investments, pharmaceutical, finance and investments, trading and manufacturing and heavy industries	Interest in shares	9.10	-
	FGV	Investment holding (plantation and others)	Interest in shares	6.86	0.49
PNB	***Similar trade as that of our Group***				
	IOI Corporation Bhd	Investment holding (plantation and others)	Interest in shares	0.44	-
	Kuala Lumpur Kepong Bhd	Producing and processing of palm products and natural rubber	Interest in shares	0.07	-
	Customers and/or suppliers				
	Petronas Dagangan Bhd	Marketing and distribution of petroleum products	Interest in shares	0.66	-
Yayasan Pelaburan Bumiputra	***Similar trade as that of our Group***				
	IOI Corporation Bhd	Investment holding (plantation and others)	Indirect interest in shares through PNB	-	0.44
	Kuala Lumpur Kepong Bhd	Producing and processing of palm products and natural rubber	Indirect interest in shares through PNB	-	0.07
	Customers and/or suppliers				
	Petronas Dagangan Bhd	Marketing and distribution of petroleum products	Indirect interest in shares through PNB	-	0.66

Our Directors are of the view that the interests of our substantial shareholders in other businesses and corporations which carry on similar trade as that of our Group or who are our customers and/or suppliers do not give rise to any conflict of interest situation with our business in view that their degree of influence in the daily commercial affairs of these companies is remote. Further, the representatives of PNB and EPF that sit on the board of directors of these companies are non-executive directors and they are not involved in the day-to-day operations of these companies.

Notwithstanding, the interests that are held by our substantial shareholders and the interests that may be held by our substantial shareholders in the future in other businesses or corporations which are carrying on a similar trade as our Group and/or our customers or suppliers may give rise to a conflict of interest situation with our businesses. Although such interests may give rise to a conflict of interest situation, such substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests. Such transactions will be carried out on an arm's length basis and on usual commercial terms.

9.4 RELATIONSHIPS OR ASSOCIATIONS BETWEEN OUR DIRECTORS, KEY MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, there are no family relationships/associations between our Directors, key management, Promoter and substantial shareholders:

(i) ASB, EPF, KWAP, PNB and Yayasan Pelaburan Bumiputra are substantial shareholders of the Promoter;

(ii) PNB is the investment manager of ASB and a subsidiary of Yayasan Pelaburan Bumiputra;

(iii) Tan Sri Dato' A. Ghani Othman, our Chairman and Non-Independent Non-Executive Director, is a representative of PNB on our Board;

(iv) Dato' Mohamad Nasir Ab. Latif, our Non-Independent Non-Executive Director, is a nominee director of EPF on our Board;

(v) Dato' Mohd Nizam Zainordin, our Non-Independent Non-Executive Director, is a representative of PNB on our Board. He is also the the Deputy President and Group CFO of PNB; and

(vi) Zainal Abidin Jamal, our Non-Independent Non-Executive Director, is a representative of PNB on our Board.

9.5 DECLARATION BY OUR DIRECTORS, KEY MANAGEMENT AND PROMOTER

None of our Directors, key management or Promoter is or has been involved in any of the following events (whether in or outside Malaysia):

(i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(ii) disqualified from acting as a director of any corporation, or from taking part, directly or indirectly, in the management of any corporation;

(iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

9.6 OTHER MATTERS

(i) Save for the remuneration received by our Directors in the course of their employment and Directors' fees received by them as disclosed in Section 9.1.10 of this Prospectus as well as dividends paid to our holding company prior to our Listing, SDB, no other amounts or material benefits has been paid or intended to be paid to the Promoter, our Directors and substantial shareholders within the 2 years preceding the date of this Prospectus.

(ii) There is no arrangement which operation may result in a change in control of our Company at a date subsequent to our Listing.

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10. APPROVALS AND CONDITIONS

10.1 APPROVALS AND CONDITIONS

The SC has, via its letter dated 26 October 2017, approved our Listing under Section 214(1) of the CMSA and the equity requirement for public listed companies in relation to the resultant equity structure of our Company pursuant to Listing. The condition imposed by the SC and the status of compliance are set out below:

No.	Details of condition imposed	Status of compliance
(i)	Maybank IB and our Company to fully comply with the requirements of the Equity Guidelines and Prospectus Guidelines pertaining to the implementation of our Listing.	To be complied.

In the same letter, the SC has noted the effects of our Listing on the equity structure of our Company as follows:

Category of shareholders	As at 31 July 2017[(1)]		After our Listing[(3)]	
	No. of Shares	**%**	**No. of Shares**	**%**
Bumiputera				
Individual	-	-	6,408,565	0.09
Body corporate				
- SDB - Bumiputera	397,680,000	66.28[(2)]	-	-
- ASB	-	-	2,790,700,029	41.03
- PNB	-	-	411,933,410	6.06
Others	-	-	1,298,917,139	19.10
Total Bumiputera	**397,680,000**	**66.28**	**4,507,959,143**	**66.28**
Non-Bumiputera				
- SDB - Non-Bumiputera	110,220,000	18.37[(2)]	-	-
- Other investors	-	-	1,248,648,953	18.37
Total Malaysian	**507,900,000**	**84.65**	**5,756,608,096**	**84.65**
Foreigner				
- SDB - Foreigner	92,100,000	15.35[(2)]	-	-
- Other investors	-	-	1,044,231,281	15.35
TOTAL	**600,000,000**	**100.00**	**6,800,839,377**	**100.00**

Notes:

*(1) All the Shares are held directly by SDB as at 31 July 2017, being the latest practicable date prior to submission of the application in relation to our Listing to the SC ("**Application LPD**").*

(2) These represent the approximate interest of the different category of shareholders of SDB as at the Application LPD.

(3) For illustration purposes, it is assumed that SDB will distribute its entire shareholding in SD Plantation, after its internal restructuring exercise and subdivision of SD Plantation Shares, by way of dividend-in-specie to its shareholders whose names appear in the Record of Depositors of SDB as at the Application LPD on the basis of 1 Share for every 1 SDB Share held, free from encumbrances.

The SC has, via its letters dated 14 November 2017 and 24 November 2017, approved the reliefs sought by us from having to comply with certain requirements under the Prospectus Guidelines. The details of the reliefs sought and the accompanying conditions imposed by the SC are as follows:

Reference in the Prospectus Guidelines	Details of relief granted	Details of condition imposed (if any)	Status of compliance
Paragraph 8.01(a), (b) and (c) of Division1, Part I	**Affected Material Entities**[1] (i) Relief from disclosing the history of the business including important events in the development of their businesses for the period between the date of inception of the individual entity and date of completion of the merger of Kumpulan Sime Darby Berhad, Golden Hope Plantations Berhad and Kumpulan Guthrie Berhad ("**Merger Entities**"). (ii) Relief from disclosing the date of commencement of business of the Affected Material Entities that had commenced business prior to the Merger, unless a specific certification on commencement of business was issued by the Registrar of Companies Malaysia in respect of Malaysian-incorporated entities. **Non-Material Entities**[2] (i) Relief from disclosing the history of business since inception date, including important events in the development of the business of Non-Material Entities. (ii) Relief from disclosing the date of commencement of business. (iii) Relief from disclosing the required information as set out in Paragraph 8.01(c) of Division 1, Part I of Prospectus Guidelines as follows: **<u>For subsidiaries</u>** Relief from disclosing the information on changes of the issued and paid-up capital for the last 3 years, including the date of allotment, number of shares allotted, consideration given (together with information regarding any discount, special term or instalment payment term or a negative statement thereof) and cumulative issued and paid-up capital and nominal value.	-	N/A

10. APPROVALS AND CONDITIONS *(Cont'd)*

Reference in the Prospectus Guidelines	Details of relief granted	Details of condition imposed (if any)	Status of compliance
	<u>For associates and joint ventures</u> Relief from having to comply with Paragraph 8.01(c) of Divison 1, Part I of Prospectus Guidelines and to disclose the information on authorised, issued and paid-up capital		
Paragraph 1.05 of Division 1, Part I, Paragraph 1.09(k) and Paragraph 1.12(b) of Part II	Relief from having to: (i) publish summary advertisement of the prospectus in Bahasa Malaysia; and (ii) issue prospectus and various experts' report in Bahasa Malaysia	-	N/A
Paragraph 18.01(g) of Division 1, Part I and Paragraph 1.09(i) of Part II	Relief from having to make available the audited financial statements for inspection and from having to submit these audited financial statements to the SC: (i) Sime Darby International Investments Limited for the FYEs 30 June 2015 to 2017; (ii) Sime Darby Plantation Holdings (Asia Pacific) for the FYEs 30 June 2015 to 2017; (iii) Sime Darby Plantation Holdings (Cayman Islands) for the FYEs 30 June 2015 to 2017; (iv) Sime Darby Oils Europe B.V. (formerly known as Sime Darby Commodities Europe B.V.) for the FYEs 30 June 2015 to 2017; (v) Dami Australia Pty Ltd for the FYE 30 June 2017; (vi) Golden Hope Agrotech Consultancy Sdn Bhd for the FYEs 30 June 2015 to 2017; (vii) Golden Hope Fruit Industries Sdn Bhd for the FYEs 30 June 2015 to 2017; (viii) Nature Ambience Sdn Bhd for the FYE 30 June 2017; (ix) Sime Darby Bioganic Sdn Bhd for the FYE 30 June 2017; (x) Sime Darby Julau Plantation Sdn Bhd for the FYE 30 June 2017; (xi) Sime Darby Genomics Sdn Bhd for the FYEs 30 June 2016 to 2017; (xii) Sime Darby Plantation Indonesia Sdn Bhd for the FYEs 30 June 2016 to 2017; (xiii) Sincere Outlook Sdn Bhd for the FYEs 30 June 2016 to 2017; (xiv) Vertical Drive Sdn Bhd for the FYE 30 June 2017; and (xv) Eminent Platform Sdn Bhd for the FYE 30 June 2017		

Notes:

*(1) "**Material Entity**" shall be an entity that meets either one or more of the following criteria:*

(a) revenue of the said entity is equal to or more than 5% of the audited consolidated revenue of SD Plantation for the FYE 30 June 2016; or

*(b) profit after tax and minority interest ("**PATAMI**") of the said entity is equal to or more than 5% of the audited consolidated PATAMI of SD Plantation for the FYE 30 June 2016; or*
(c) NA of/investment in the said entity is equal to or more than 1% of the audited consolidated NA of SD Plantation as at 30 June 2016; or
(d) the said entity owns material lands or buildings that:
(aa) form part of the top 90% of the total audited NBV of the lands of the SD Plantation Group as at 30 June 2016; or
(bb) contribute equal to or more than 5% of the audited consolidated revenue of SD Plantation for the FYE 30 June 2016; or
(cc) contribute equal to or more than 5% of the audited consolidated PATAMI of SD Plantation for the FYE 30 June 2016; or
(dd) the said entity holds material licence, permits, intellectual property or contracts.

*"**Affected Material Entities**" shall be Material Entities that were part of the Merger Entities group of companies but incorporated prior to the completion of the Merger on 27 November 2007.*

*(2) "**Non-Material Entities**" shall be the remaining subsidiaries, associates and joint ventures of SD Plantation that are not Material Entities.*

The SAC has, via its letter dated 4 October 2017, classified our Shares as Shariah-compliant securities based on our latest audited consolidated financial information for the FYE 30 June 2017.

Bursa Securities has, via its letter dated 10 November 2017, resolved to approve our Admission and our Listing.

The shareholders of SDB has at an EGM held on 20 November 2017 approved the Pre-Listing Restructuring and our Listing.

10.2 MORATORIUM ON THE SALE OF OUR SHARES

According to the Equity Guidelines, the promoter which includes a controlling shareholder, a person connected to a controlling shareholder and an executive director who is a substantial shareholder are not allowed to sell, transfer or assign their entire holdings in the securities as at the date of listing on Bursa Securities, for 6 months from the date of listing.

SDB as well as ASB, PNB and all the other funds under PNB's management ("**PNB and Funds Managed by PNB**") are deemed as promoters under the Equity Guidelines. However, as SDB will not hold any of our issued Shares after the Pre-Listing Restructuring, SDB has not provided any moratorium undertaking in respect of our Shares. Additionally, as our Listing is by way of introduction via the Distribution of SD Plantation Shares which is undertaken on a pro-rata basis such that all the Entitled Shareholders of SDB (including PNB and Funds Managed by PNB) would receive their respective entitlement to the Distribution Shares based on their respective shareholdings in SDB as at the Entitlement Date, PNB and Funds Managed by PNB have not provided any moratorium undertaking in respect of our Shares.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.1 RELATED PARTY TRANSACTIONS

Under the Listing Requirements, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiaries which involves the interest, direct or indirect, of a related party. A “related party” of a listed issuer (not being a special purpose acquisition company) is:

(i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or

(ii) a major shareholder which includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, who has or had an interest or interests in 1 or more voting shares in a corporation and that voting share or the total number of those voting shares is:

  (a) 10.0% or more of the total number of all the voting shares in the corporation; or

  (b) 5.0% or more of the total number of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or

(iii) a person connected with such director or major shareholder.

Certain transactions, despite falling within the definition of a related party transaction above, are not normally regarded as related party transactions. These are detailed in Paragraph 10.08(11) of the Listing Requirements.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

11.1.1 Related party transactions

(i) Save as disclosed below, there are no material related party transactions that we have entered into or have proposed to enter into with related parties (other than those with the SDB Group and/or SD Property Group) for the past 3 FYEs 30 June 2015 to 2017, and for the next FYE 30 June 2018:

				Transaction value			
				Actual			Estimate
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**FYE 30 June 2015**	**FYE 30 June 2016**	**FYE 30 June 2017**	**FYE 30 June 2018**
				RM'million	**RM'million**	**RM'million**	**RM'million**
1.	Our Company (buyer) and Yong Peng Realty Sdn Bhd ("**Yong Peng**") (seller), a wholly-owned subsidiary of I&P Group Sdn Berhad ("**I&P Group**")	**Interested major shareholder** • ASB[(1)] **Interested directors** • Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah[(2)] • Tan Sri Datuk Dr Yusof Basiran[(3)] • Muhammad Lutfi[(3)] • Datuk Dr Mohd Daud Bakar[(3)] • Zainal Abidin Jamal[(3)] **Interested person connected with major shareholder** • PNB[(4)]	Acquisition of 2 estates known as Talisman Estate and Lian Seng Estate comprising 198 parcels of lands located in Johor measuring a total of 787.8055 Ha (including the buildings erected thereon which includes workers' quarters), together with the accompanied mobile equipment and vehicles via a business asset purchase agreement dated 5 October 2016 which was completed on 6 April 2017	-	-	77.6	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value: Actual FYE 30 June 2015 RM'million	Actual FYE 30 June 2016 RM'million	Actual FYE 30 June 2017 RM'million	Estimate FYE 30 June 2018 RM'million
2.	Our Company (buyer) and Perusahaan Minyak Sawit Bintang Sdn Bhd ("**Minyak Sawit Bintang**") (seller), a wholly-owned subsidiary of I&P Group	**Interested major shareholder** • ASB[(1)] **Interested directors** • Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah[(2)] • Tan Sri Datuk Dr Yusof Basiran[(3)] • Muhammad Lutfi[(3)] • Datuk Dr Mohd Daud Bakar[(3)] • Zainal Abidin Jamal[(3)] **Interested person connected with major shareholder** • PNB[(4)]	Acquisition of a palm oil mill known as Bintang Palm Oil Mill, workers' quarters and ancillary buildings built on 4 parcels of lands located in Johor measuring a total of 8.1063 Ha as well as the accompanied machinery and equipment, and mobile equipment and vehicles via a business asset purchase agreement dated 5 October 2016 which was completed on 6 April 2017	-	-	29.1	-
3.	Our Group (buyer) and Chemical Company of Malaysia Berhad ("**CCM**") and its subsidiaries, namely CCM Agri-Max Sdn Bhd, CCM Fertilizers Sdn Bhd, CCM Chemicals Sdn Bhd and PT CCM Agripharma (collectively, seller)	**Interested directors** • Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah[(2)] • Tan Sri Datuk Dr Yusof Basiran[(3)] • Muhammad Lutfi[(3)] • Datuk Dr Mohd Daud Bakar[(3)] • Zainal Abidin Jamal[(3)] **Interested person connected with directors** • PNB[(5)] • ASB[(5)]	Purchase of chemicals and fertilisers on an ad hoc basis	87.3	121.6	20.7	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value – Actual – FYE 30 June 2015 RM'million	Transaction value – Actual – FYE 30 June 2016 RM'million	Transaction value – Actual – FYE 30 June 2017 RM'million	Transaction value – Estimate – FYE 30 June 2018 RM'million
4.	Kumpulan Jelei Sdn Bhd (seller), our wholly-owned subsidiary and PNB (buyer)	**Interested major shareholder** • ASB[(6)] **Interested directors** • Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah[(2)] • Tan Sri Datuk Dr Yusof Basiran[(3)] • Muhammad Lutfi[(3)] • Datuk Dr Mohd Daud Bakar[(3)] • Zainal Abidin Jamal[(3)] **Interested person connected with major shareholder** • PNB[(6)]	Sale and transfer of the RM500.0 million nominal value of zero coupon redeemable loan stocks issued by Prolintas Expressway Sdn Bhd, an indirect subsidiary of PNB via a sale and purchase agreement dated 27 October 2017 which is pending completion as at the date of this Prospectus as the conditions precedent have yet to be fulfilled. Notwithstanding, the sale consideration of about RM333.2 million was paid by PNB on the date of this agreement in cash	-	-	-	333.2

Notes:

(1) ASB is a major shareholder of SDB and will be our major shareholder after the Pre-Listing Restructuring. ASB is also a major shareholder of I&P Group.

(2) Tan Sri Dato' Sri Dr Wan Abdul Aziz Wan Abdullah is a Non-Independent Non-Executive Director and the Deputy Chairman of SDB. He is a representative of PNB (which is connected with ASB) on the Board of Directors of SDB, our holding company prior to our Listing. He is also a Director of PNB.

(3) Tan Sri Datuk Dr Yusof Basiran, Muhammad Lutfi, Datuk Dr Mohd Daud Bakar and Zainal Abidin Jamal are Non-Independent Non-Executive Directors of SDB and representatives of PNB (which is connected with ASB) on the Board of Directors of SDB, our holding company prior to our Listing.

(4) PNB is a major shareholder of I&P Group. PNB is also a person connected with ASB.

(5) PNB is a major shareholder of CCM, and is a person connected with ASB. ASB is a major shareholder of SDB, and will be our major shareholder after the Pre-Listing Restructuring.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

(6) ASB is a major shareholder of SDB and will be our major shareholder after the Pre-Listing Restructuring. ASB is a person connected with PNB.

(ii) Prior to the completion of the Pre-Listing Restructuring, our Company and SD Property are wholly-owned subsidiaries of SDB. Any transactions entered into between the parties prior to the Distributions were not regarded as related party transactions from SDB's perspective as these transactions were entered into between a listed issuer (i.e. SDB) (or any of its wholly-owned subsidiaries) and its wholly-owned subsidiaries.

The following tables set out the material transactions that were entered into with the SDB Group and/or SD Property Group for the past 3 FYEs 30 June 2015 to 2017, as well as the material transactions that were entered into and/or proposed (prior to the Distributions) to be entered into with the SDB Group and/or SD Property Group for the next FYE 30 June 2018:

			Transaction value			
			Actual			Estimate
No.	**Transacting parties**	**Nature of transaction**	**FYE 30 June 2015**	**FYE 30 June 2016**	**FYE 30 June 2017**	**FYE 30 June 2018**
			RM'million	**RM'million**	**RM'million**	**RM'million**
1.	Sanguine (Malaysia) (seller) and Sime Darby Elmina Development Sdn Bhd ("**SD Elmina**") (buyer), a wholly-owned subsidiary of SD Property	Sale of parcels of plantation land in (a) Mukim Bukit Raja, District of Petaling, (b) Mukim Kapar, District of Klang and (c) Mukim Sg. Buloh, District of Petaling, all in the State of Selangor measuring in total of about 1,583 acres via a sale and purchase agreement dated 5 September 2014 (which was entered into pursuant to a master agreement governing disposal of land, undivided shares in land and shares of Sanguine (Malaysia) dated 17 November 2011 between our Company and SD Property, as amended by a supplemental agreement dated 5 September 2014). The said sale was deemed completed on 28 January 2015	221.6	-	-	-
2.	Sanguine (Malaysia) (seller) and SD Property (buyer)	Sale of parcels of plantation land in Mukim Rawang, District of Gombak, State of Selangor measuring in total of about 1,541 acres via a sale and purchase agreement dated 30 January 2015 (which was entered into pursuant to a master agreement governing disposal of land, undivided shares in land and shares of Sanguine (Malaysia) dated 17 November 2011 between our Company and SD Property, as amended by a supplemental agreement dated 5 September 2014). The said sale was deemed completed on 18 January 2016	-	215.7	-	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

			Transaction value			
			Actual			Estimate
No.	Transacting parties	Nature of transaction	FYE 30 June 2015 RM'million	FYE 30 June 2016 RM'million	FYE 30 June 2017 RM'million	FYE 30 June 2018 RM'million
3.	Our Company (seller) and KSDB (buyer), a wholly-owned subsidiary of SDB	Sale of part of a plantation land earmarked for the Malaysia Vision Valley project, which is located in Labu, Negeri Sembilan ("**MVV Land**"), comprising 29 parcels of land and measuring a total of 8,796 acres ("**MVV Land 1**") via a sale and purchase agreement dated 7 June 2017 (as amended pursuant to a letter dated 25 October 2017). The said sale was completed on 30 June 2017	-	-	2,503.0	0.6
4.	Our Company (seller) and SD Property (buyer)	Sale of part of the MVV Land, comprising 22 parcels of land and measuring a total of 1,880 acres ("**MVV Land 2**") via a sale and purchase agreement dated 9 June 2017 (as amended pursuant to letters dated 29 September 2017 and 17 October 2017). The said sale was completed on 29 September 2017	-	-	-	689.6
5.	Our Company (grantor) and SD Property (grantee)	Options to purchase the legal and beneficial ownership of and title to the Option Lands at any time during the Option Period at a purchase price to be determined by the board of directors of the parties based on valuation to be conducted by an agreed independent valuer via the Land Option Agreements(1)	-	-	-	(1)
6.	Our Company (licencee) and SD Malaysia (licensor)	Grant of a non-exclusive, non-assignable and non-transferable licence to use the "SIME DARBY" mark, Sime Darby Shield Device Logo, Shield Device Logo, Sime Darby in Chinese Characters, the "DEVELOPING SUSTAINABLE FUTURES" tagline and the "DELIVERING SUSTAINABLE FUTURES" tagline worldwide, solely in the course of or in connection with our business via the Trademark and Brand Licence Agreement(2)	-	-	-	2.0 (per year)

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

			Transaction value			
			Actual			Estimate
No.	**Transacting parties**	**Nature of transaction**	**FYE 30 June 2015**	**FYE 30 June 2016**	**FYE 30 June 2017**	**FYE 30 June 2018**
			RM'million	**RM'million**	**RM'million**	**RM'million**
7.	Our Group (payer) and Sime Darby Holding Berhad ("**SDHB**") (payee), a wholly-owned subsidiary of SDB	Commission for purchase of FFB from third party estates and subsequent sales of palm products from our mills to external customers, on behalf of our Group via an agency agreement dated 24 March 2008 (as amended by supplemental agreements dated 17 December 2008, 18 January 2010 and 1 April 2015) which is effective from 28 November 2007 and shall be automatically renewed on a yearly basis until otherwise terminated by either party by giving the other party 3 months' prior written notice In April 2017, our Group had assumed and consolidated the plantation's trading and marketing arm of SDHB into our Group. The abovementioned agency agreement was novated by SDHB to SD Futures Trading via a novation agreement dated 2 June 2017 which is effective from 1 April 2017. Since then, there were no such transactions entered into between our Group and SDHB	46.4	48.9	44.1	-
8.	Our Group (payee) and SDHB (payer), a wholly-owned subsidiary of SDB	Commission income received by SD Futures Trading from SDHB for acting as a sub-agent for the sale of refined edible oils from our refineries to external customers via an agreement for appointment of sub-agent dated 1 January 2011 which is effective from 1 January 2011 until 31 December 2011 and shall be automatically renewed on a yearly basis until otherwise terminated by either party by giving the other party 3 months' prior written notice In April 2017, our Group had assumed and consolidated the plantation's trading and marketing arm of SDHB into our Group. Since then, there were no such transactions entered into between our Group and SDHB	9.9	9.8	8.3	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

			Transaction value			
			Actual			Estimate
No.	**Transacting parties**	**Nature of transaction**	**FYE 30 June 2015**	**FYE 30 June 2016**	**FYE 30 June 2017**	**FYE 30 June 2018**
			RM'million	**RM'million**	**RM'million**	**RM'million**
9.	Our Company (payer) and SD Global Services Centre (payee), a wholly-owned subsidiary of SDB	Provision of centralised operational support, i.e. payroll, accounting and information technology processing, and other administration services via a master service agreement dated 1 July 2014 which is effective from 1 July 2014. This agreement will be terminated and replaced by the Master Services Agreement from the date of our Listing(3)	50.9	50.9	58.7	87.0
10.	Our Group (buyer/payer) and SDB Group (seller/payee)	Purchase of motor vehicles and charges for vehicle maintenance services on an ad hoc basis	2.8	1.5	2.2	2.0
11.	Our Group (payer) and SDB Group (payee)	Car leasing charges on an ad hoc basis	4.8	3.9	2.0	2.5
12.	Our Group (payer) and SDB Group (payee)	Engineering maintenance services on an ad hoc basis	1.1	1.4	-	0.7
13.	Our Company (payer) and SD Lockton Insurance Brokers, a wholly-owned subsidiary SDB (payee)	Insurance broking services via a broker services agreement dated 1 July 2015 which is effective from 1 July 2015. This agreement will be terminated and replaced by the Broker Services Agreement from the date of our Listing(4)	2.7	1.9	1.3	1.6
14.	Our Group (payer) and SDB Group (payee)	Purchase of heavy equipment, spare parts and maintenance services on an ad hoc basis	59.6	47.9	51.4	50.0

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

			Transaction value			
			Actual			Estimate
No.	**Transacting parties**	**Nature of transaction**	**FYE 30 June 2015**	**FYE 30 June 2016**	**FYE 30 June 2017**	**FYE 30 June 2018**
			RM'million	**RM'million**	**RM'million**	**RM'million**
15.	Our Group (payer) and SDHB (payee), a wholly-owned subsidiary of SDB	Interest paid on advances via (i) a letter for extension of inter-company loan dated 30 June 2011 for a loan of RM1,000 million which was increased to RM5,000 million on 30 April 2012 and subsequently terminated on 30 June 2016 and replaced by an inter-company mudharabah agreement dated 30 June 2016 for an investment amount of RM5,000 million; (ii) a letter for extension of inter-company loan dated 10 December 2012 for a loan of RM700 million which was terminated on 30 June 2016 and replaced by an inter-company mudharabah agreement dated 30 June 2016 for an investment amount of RM700 million; (iii) an inter-company mudharabah agreement dated 24 February 2015 for an investment amount of RM3,056 million	263.1	369.5	359.9	22.0
16.	Our Company (payer) and SDHB (payee), a wholly-owned subsidiary of SDB	Management service fees and internal audit via a management services agreement dated 22 April 2016 which is effective from 1 July 2015 and shall continue to be in force until terminated. This agreement may be terminated by either party in the following circumstances: (a) termination for convenience by giving the other party 90 days' prior written notice; or (b) termination for cause, among others, if the other party fails to remedy a breach within 30 days after written notice thereof	45.2	40.7	51.9	18.0
17.	Our Group (landlord) and SD Elmina (tenant), a wholly-owned subsidiary of SD Property	Rental income arising from the tenancy of quarry land in Mukim Jimah, District of Port Dickson, Negeri Sembilan via a lease agreement dated 29 March 1995 (as amended by a supplemental agreement dated 1 April 2015) for a term of 30 years from 1 January 1995 until 31 December 2024[(5)]	0.3	0.3	0.3	0.3

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

			Transaction value			
			Actual			Estimate
No.	Transacting parties	Nature of transaction	FYE 30 June 2015 RM'million	FYE 30 June 2016 RM'million	FYE 30 June 2017 RM'million	FYE 30 June 2018 RM'million
18.	Our Group (tenant) and SD Property Group (landlord)	Rental expenses from leasing of agricultural land via the following tenancy agreements: (a) 6 tenancy agreements dated 1 November 2017 in respect of Jalan Acob, Sua Betong, Mostyn, Victoria, Jerai and Lanadron estates respectively, all of which are for a term of 2 years from 1 July 2017 with an option to renew for a further term of 1 year(6); (b) 3 tenancy agreements dated 1 November 2017 in respect of Bukit Selarong, Bukit Lagong and New Labu estates respectively, all of which are for a term of 2 years from 1 November 2017 with an option to renew for a further term of 1 year(7); (c) a tenancy agreement dated 13 July 2017 in respect of Ampar Tenang estate for a term of 1 year from 1 January 2017(8); and (d) a tenancy agreement to be entered into in respect of Elmina estate for a term of 2 years from 1 November 2017 with an option to renew for a further term of 1 year(7)	4.9	2.8	3.1	6.0
19.	Our Group (donor) and the Foundation (recipient)	Contributions to the Foundation on an ad hoc basis which, from the date of our Listing, will be carried out in accordance with the Donation Agreement(9)	25.0	32.5	70.5	92.9
20.	Our Group (landlord) and SDHB (tenant), a wholly-owned subsidiary of SDB	Rental income arising from the tenancy of office space in Ara Damansara via a tenancy agreement dated 1 August 2012 (as amended by a supplemental agreement dated 1 June 2014) for a term of 3 years from 1 October 2012 to 31 October 2015, as extended for a further term of 3 years from 1 November 2015 to 31 October 2018 via a letter dated 15 October 2015. This agreement will be terminated with effect from 30 November 2017	3.9	3.9	3.9	1.1

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

			Transaction value			
			Actual			Estimate
No.	Transacting parties	Nature of transaction	FYE 30 June 2015	FYE 30 June 2016	FYE 30 June 2017	FYE 30 June 2018
			RM'million	RM'million	RM'million	RM'million
21.	Our Company (lessee) and KSDB (lessor), a wholly-owned subsidiary of SDB	Leaseback of the MVV Land 1 from KSDB to our Company for our Group to carry out the planting/replanting, maintenance of oil palm, and the harvesting and selling of FFB via a tenancy agreement dated 19 July 2017 (as amended pursuant to a letter dated 15 November 2017) for a term of 3 years from 30 June 2017(10)	-	-	-	8.5
22.	Our Company (lessee) and SD Property (lessor)	Leaseback of the MVV Land 2 from SD Property to our Company for our Group to carry out the planting/replanting, maintenance of oil palm, and the harvesting and selling of FFB via a tenancy agreement dated 29 September 2017 (as amended pursuant to a letter dated 10 November 2017) for a term of 3 years from 29 September 2017(10)	-	-	-	1.2
23.	Our Company (purchaser) and Sime Darby Holiday Homes Sdn Bhd ("**SD Holiday Homes**") (seller), a wholly-owned subsidiary of SDB	Acquisition of a unit of 4-storey apartment block (Lot 853/1; New Lot 2369) at Sri Menyinsing Apartment, Port Dickson via a sale and purchase agreement to be entered into	-	-	-	1.3
24.	Our Company (purchaser) and SD Holiday Homes (seller), a wholly-owned subsidiary of SDB	Acquisition of 2 units of bungalow located at Lot 758 and Lot 759, Sinaran Selat & Sri Fajar, Port Dickson via a sale and purchase agreement to be entered into	-	-	-	7.2
25.	Our Company (purchaser) and SD Holiday Homes (seller), a wholly-owned subsidiary of SDB	Acquisition of 2 units of bungalow located at Lot 3267 and Lot 278, Sinaran Selat & Sri Fajar, Port Dickson via a sale and purchase agreement to be entered into	-	-	-	1.8

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

			Transaction value			
			Actual			Estimate
No.	**Transacting parties**	**Nature of transaction**	**FYE 30 June 2015**	**FYE 30 June 2016**	**FYE 30 June 2017**	**FYE 30 June 2018**
			RM'million	**RM'million**	**RM'million**	**RM'million**
26.	Our Company (purchaser) and SD Holiday Homes (seller), a wholly-owned subsidiary of SDB	Acquisition of a unit of bungalow bearing the address of Golden Hope Villa, Jalan Pekeliling Padang Golf, 39000 Tanah Rata, Cameron Highlands, Pahang via a sale and purchase agreement to be entered into	-	-	-	2.2

Notes:

(1) *Please refer to Sections 4.1.2(i) and 15.6(ii) of this Prospectus for details of the Land Option Agreements.*

(2) *Please refer to Section 7.21 of this Prospectus for details of the Trademark and Brand Licence Agreement.*

(3) *On 25 August 2017, our Company entered into the Master Services Agreement with SD Global Services Centre where we will continue to obtain certain centralised operational support and functional services from SD Global Services Centre for a term of 3 years commencing from the date of our Listing in accordance with the terms and conditions of the Master Services Agreement. In consideration of the services performed under the Master Services Agreement, our Company will pay an annual fee to SD Global Services Centre, which will be in accordance with the specific scope of services provided to our Group. The fee is subject to annual review and determined after taking into account, among others, the recoverability of the services cost, cost to maintain the relevant systems and changes to the scope of services. Please refer to Section 4.1.2(ii) of this Prospectus for further details of the Master Services Agreement.*

(4) *On 25 August 2017, our Company entered into the Broker Services Agreement with SD Lockton Insurance Brokers where our Company is entitled to procure certain services from SD Lockton Insurance Brokers (including to recommend and advise our Company on subscription to the appropriate insurance and/or takaful policies for our Group's businesses and act as an intermediary between our Company and the insurance and/or takaful company) for a term of 3 years commencing from the date of our Listing (with our Company having an option to renew the agreement for a further period that the parties mutually agree) in accordance with the terms and conditions of the Broker Services Agreement. Any fee payable to SD Lockton Insurance Brokers will depend on the insurance policies procured by our Group through SD Lockton Insurance Brokers. Please refer to Section 4.1.2(iv) of this Prospectus for further details of the Broker Services Agreement.*

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

(5) *The lease agreement dated 29 March 1995 (as amended by a supplemental agreement dated 1 April 2015) provides that the yearly rental of RM280,555.00 is payable yearly in advance on the first day of the year. The rate of rental of the quarry land will be revised once every 3 years to take into account the inflation index affecting the present value of the lease rental. If the rental is unpaid for 14 days after the formal demand or if any covenant on the part of SD Elmina is not performed or observed, it shall be lawful for our Group at any time thereafter to re-enter upon the quarry land and thereupon the lease shall be terminated but without prejudice to the right of action of our Group in respect of any breach of the covenants as contained in this lease agreement by SD Elmina. If either party wishes to terminate the lease before its expiration, it shall give to the other party 3 months' prior notice in writing. If SD Elmina wishes to renew the lease for a further term of 30 years, it shall give at least 3 months' notice in writing to our Group before the expiration of the lease and shall pay the rent and observe the covenants contained in this lease agreement up to the termination of the term. Our Group will then grant to SD Elmina a lease of the quarry land for a further term of 30 years at a rental to be agreed upon but subject to the same covenants as contained in this lease agreement except the covenant for renewal.*

(6) *Each of the 6 tenancy agreements dated 1 November 2017 in respect of Jalan Acob, Sua Betong, Mostyn, Victoria, Jerai and Lanadron estates provides that the rent payable by our Group to SD Property Group is calculated as follows:*

$$\frac{A \times B}{12^*}$$

where:

A = the preceding month's average MPOB delivered price of CPO per MT for Malaysia; and

B = total planted area in Ha

* *As the numerator (i.e. A x B) represents the annual rent, the monthly rent is calculated by dividing the annual rent by 12 months.*

The rent shall be paid on a monthly basis on or before the 7th day of each and every succeeding calendar month in advance. Our Group may renew the term by providing SD Property Group with a notice in writing of its desire to renew the term at least 6 months prior to the expiry of the term. Subject to our Group being in compliance with all its covenants and obligations under the tenancy agreement, and subject further to SD Property Group not having any immediate plans to develop the land and/or any portion thereof, SD Property Group shall grant our Group an option to renew the tenancy agreement for a further period of 1 year upon the same terms and conditions as contained in this tenancy agreement and/or any other terms to be agreed upon by the parties. Either party may terminate the tenancy or our Group may elect to surrender any portion of the tenanted land to SD Property Group prior to the expiry of the tenancy by giving at least 6 months' notice in writing to the other party.

If SD Property Group:

(i) *wishes to terminate the tenancy but fails to give the 6 months' notice in writing, SD Property Group shall pay our Group the costs incurred by our Group in connection with the activities conducted by our Group, such as manuring and procurement of fertiliser exercises undertaken within the preceding 12 months ("**Maintenance Costs**") from the date the notice is given by SD Property Group which shall be computed on such portion of the tenanted land surrendered; or*

(ii) *serves on our Group a notice in writing which is less than 6 months, the amount to be paid by SD Property Group to our Group shall be equivalent to:*

(ii) serves on our Group a notice in writing which is less than 6 months, the amount to be paid by SD Property Group to our Group shall be equivalent to:

$$\text{Maintenance Costs (computed on such portion of the tenanted land surrendered)} \times \frac{n}{6}$$

where 'n' is the duration of the insufficient notice served (in months).

If our Group:

(a) wishes to terminate the tenancy but fails to give the 6 months' notice in writing, our Group shall pay SD Property Group a sum equivalent to 6 months' rent (calculated based on the average preceding 6 months' rent) which shall be computed on such portion of the tenanted land surrendered, if the surrender is only in respect of a portion of the tenanted land; or

(b) serves on SD Property Group a notice in writing which is less than 6 months, the amount to be paid by our Group to SD Property Group shall be equivalent to:

$$\text{Average rent for the preceding 6 months (computed on such portion of the tenanted land surrendered)} \times m$$

where 'm' is the duration of the insufficient notice served (in months).

(7) The salient terms of which are similar to the salient terms of each of the 6 tenancy agreements dated 1 November 2017 in respect of Jalan Acob, Sua Betong, Mostyn, Victoria, Jerai and Lanadron estates, as described in Note 6 above.

*(8) The tenancy agreement dated 13 July 2017 in respect of Ampar Tenang estate provides that the rent payable by our Group to SD Property Group is calculated at the rate of RM100 per acre of the area of land planted with oil palm trees ("**Planted Area**").*

*The agreed rate of RM100 per acre of the Planted Area, which applies to the tenancy of Ampar Tenang estate for a term of 1 year from 1 January 2017, is comparable to the rental rate that is derived based on the formulae set out in the tenancy agreements in relation to the MVV Land, the template tenancy agreement attached in the respective Land Option Agreements as described in Section 4.1.2(i) of this Prospectus as well as all other tenancy agreements between our Group and SD Property Group as set out in item 18 of Section 11.1.1(ii) of this Prospectus (collectively, the "**Other Tenancy Agreements**"), which is calculated based on the prevailing CPO price. Upon the expiry of the term of this tenancy, the parties intend to renew this tenancy based on the standardised terms similar to the Other Tenancy Agreements, whereby the rental rate will be calculated based on the prevailing CPO price instead of a fixed rate of RM100 per acre of the Planted Area.*

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

The rent shall be paid on a monthly basis on or before the 7th day of each and every succeeding calendar month in advance. Our Group may renew the term by providing SD Property Group with a notice in writing of its desire to renew the term at least 3 months prior to the expiry of the term. Subject to our Group being in compliance with all its covenants and obligations under this tenancy agreement, and subject further to SD Property Group not having any immediate plans to develop the land and/or any portion thereof, SD Property Group shall grant our Group an option to renew this tenancy agreement for a further period of 1 year upon the same terms and conditions as contained in this tenancy agreement and/or any other terms to be agreed upon by the parties. Either party may terminate the tenancy or our Group may elect to surrender any portion of the tenanted land to SD Property Group prior to the expiry of the tenancy by giving at least 6 months' notice in writing to the other party.

If SD Property Group:

(i) *wishes to terminate the tenancy but fails to give the 6 months' notice in writing, SD Property Group shall pay our Group the costs incurred by our Group in connection with the activities conducted by our Group, such as manuring and procurement of fertiliser exercises undertaken within the preceding 12 months ("**Maintenance Costs**") from the date the notice is given by SD Property Group which shall be computed on such portion of the tenanted land surrendered; or*

(ii) *serves on our Group a notice in writing which is less than 6 months, the amount to be paid by SD Property Group to our Group shall be equivalent to:*

$$\text{Maintenance Costs (computed on such portion of the tenanted land surrendered)} \quad x \quad \frac{n}{6}$$

where 'n' is the duration of the insufficient notice served (in months).

If our Group:

(a) *wishes to terminate the tenancy but fails to give the 6 months' notice in writing, our Group shall pay SD Property Group a sum equivalent to RM100 per acre x such portion of the Planted Area surrendered x 6 months' rent which shall be computed on such portion of the tenanted land surrendered, if the surrender is only in respect of a portion of the tenanted land; or*

(b) *serves on SD Property Group a notice in writing which is less than 6 months, the amount to be paid by our Group to SD Property Group shall be equivalent to:*

RM100 per acre x such portion of the Planted Area surrendered x m

where 'm' is the duration of the insufficient notice served (in months).

(9) As at 30 June 2017, about RM168 million has been accrued by our Company as the cash calls from the Foundation have been lower than the accruals in the preceding financial years. The yearly contributions to the Foundation were made after taking into consideration the profitability of our Group. However, in September 2017, RM95 million of such accrual was written back.

On 25 August 2017, our Company entered into the Donation Agreement with the Foundation where our Company endeavours to make an annual cash donation of RM40 million to the Foundation for a term of 5 years with effect from the date of our Listing (unless extended by mutual agreement of the parties) in accordance with the terms and conditions of the Donation Agreement. Please refer to Section 4.1.2(v) of this Prospectus for further details of the Donation Agreement.

(10) The salient terms of these tenancy agreements are similar to the salient terms of the template tenancy agreement attached in the respective Land Option Agreements, as described in Section 4.1.2(i) of this Prospectus.

Save for the contributions to the Foundation, as set out in item 19 of Section 11.1.1(ii) of this Prospectus, to support the charitable intent established by the governing council of the Foundation, our Directors confirm that these transactions were carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties and are not detrimental to our non-interested shareholders.

Our GAC is of the view that the transactions that were entered into and/or proposed to be entered into with:

(a) related parties other than the SDB Group and/or SD Property Group as set out in item (4) of Section 11.1.1(i) of this Prospectus; and

(b) the SDB Group and/or SD Property Group as set out in items (3) to (6), and (9) to (26) of Section 11.1.1(ii) of this Prospectus,

for the FYE 30 June 2018 are:

(i) in the best interest of our Company;

(ii) fair, reasonable and on normal commercial terms which are not more favourable to the related parties than those generally available to third parties; and

(iii) not detrimental to the interest of our Company's minority shareholders.

11.1.2 Transactions entered into that are unusual in their nature or conditions

There were no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets to which we were a party in respect of the past 3 FYEs 30 June 2015 to 2017 and the financial period up to the LPD.

11.1.3 Outstanding loans and guarantees

There were no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of our related parties in respect of the past 3 FYEs 30 June 2015 to 2017 and the financial period up to the LPD.

11.2 CONFLICTS OF INTEREST

11.2.1 GAC review

Our GAC reviews any related party transaction and conflicts of interest that may arise within our Group. For any conflicts of interest that may arise, our GAC will review and ensure that these conflicts of interest are mitigated. Our GAC periodically reviews the procedures set by our Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm's length with our Group and are not to the detriment of our Company's minority shareholders. All reviews by our GAC are reported to our Board for its further action. In the course of reviewing the related party transactions, our GAC will take into consideration the advice and recommendations of the advisers, valuers and such professionals, if so appointed.

11.2.2 Monitoring and oversight of related party transactions and conflicts of interest

Related party transactions, by their very nature, involve a conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the officers of our Group and our Directors are also officers, directors and in some cases, shareholders of the related parties of our Group, as disclosed in this Prospectus and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions shall be reviewed by our GAC to ensure that there is no conflict of interest and it is the policy of the companies within our Group not to enter into transactions with related parties unless these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm's length with our Group and are not to the detriment of our Company's minority shareholders. In addition, details of the related party transactions shall also be tabled to our Board for notation on a quarterly basis.

11.3 DECLARATIONS BY ADVISERS ON CONFLICTS OF INTEREST

11.3.1 Declaration by Maybank IB

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other, and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, our Group has subsisting revolving credit and trade lines with a combined limit of RM700.0 million and foreign exchange contracts with a notional amount of USD200.0 million (equivalent to around RM846.2 million) with the Maybank Group. The Maybank Group is also one of the holders of the novated perpetual subordinate sukuk from SDB to our Company on 23 June 2017 ("**Perpetual Sukuk**") pursuant to the Pre-Listing Restructuring. The extension of the said facilities and holding of the Perpetual Sukuk by the Maybank Group are in its ordinary course of business.

In addition, PNB, ASB and EPF hold about 7.0%, 34.7% and 12.2% equity interest in Malayan Banking Berhad (the holding company of Maybank IB) as at the LPD, respectively.

Zainal Abidin Jamal, our Non-Independent Non-Executive Director is also the Chairman of Maybank Islamic Berhad since 1 June 2017. He was appointed to the board of directors of Maybank Islamic Berhad on 28 January 2010.

Notwithstanding the above, Maybank IB is of the view that the abovementioned do not give rise to a conflict of interest situation in its capacity as Principal Adviser for our Listing due to the following:

(i) the Maybank Group is a licensed commercial bank and the extension of credit facilities to our Group arose in the ordinary course of business of the Maybank Group;

(ii) the conduct of the Maybank Group in its banking business is strictly regulated by, among others, the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and the Maybank Group's own internal controls and checks;

(iii) the total aggregate outstanding amount owed by our Group to the Maybank Group of about RM14.2 million as at the LPD is not material when compared to the audited NA of the Maybank Group as at 31 December 2016 of RM68.5 billion;

(iv) PNB, ASB and EPF do not have any operational control over the management of the Maybank Group; and

(v) Zainal Abidin Jamal's directorship does not extend to the day-to-day management and operations of Maybank Islamic Berhad.

Maybank IB has also confirmed that there is no conflict of interest situation in its capacity as Principal Adviser for our Listing.

11.3.2 Declaration by PricewaterhouseCoopers (AF 1146)

PricewaterhouseCoopers (AF 1146) has confirmed that there is no conflict of interest situation in its capacity as the Auditors and Reporting Accountants to our Company in relation to our Listing.

11.3.3 Declaration by Kadir, Andri & Partners

Kadir, Andri & Partners has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our Company as to the laws of Malaysia in relation to our Listing.

11.3.4 Declaration by Melli Darsa & Co., a member of PwC global network

Melli Darsa & Co., a member of PwC global network, has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiaries as to the laws of Indonesia in relation to our Listing.

11.3.5 Declaration by Ashurst PNG

Ashurst PNG has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiaries as to the laws of PNG in relation to our Listing.

11.3.6 Declaration by Michael Pitakaka Law Chamber

Michael Pitakaka Law Chamber has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiary as to the laws of the Solomon Islands in relation to our Listing.

11.3.7 Declaration by Pierre, Tweh & Associates, Inc.

Pierre, Tweh & Associates, Inc. has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiary as to the laws of Liberia in relation to our Listing.

11.3.8 Declaration by Ten Holter Noordam advocaten

Ten Holter Noordam advocaten has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiaries as to the laws of the Netherlands in relation to our Listing.

11.3.9 Declaration by Norton Rose Fulbright (Thailand) Limited

Norton Rose Fulbright (Thailand) Limited has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiaries as to the laws of Thailand in relation to our Listing.

11.3.10 Declaration by Norton Rose Fulbright LLP

Norton Rose Fulbright LLP has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiaries as to English law in relation to our Listing.

11.3.11 Declaration by AllBright Law Offices

AllBright Law Offices has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign joint venture as to the laws of the People's Republic of China in relation to our Listing.

11.3.12 Declaration by Norton Rose Fulbright US LLP

Norton Rose Fulbright US LLP has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign joint venture as to the laws of the State of Delaware in relation to our Listing.

11.3.13 Declaration by Norton Rose Fulbright Hong Kong

Norton Rose Fulbright Hong Kong has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiaries as to laws of Hong Kong in relation to our Listing.

11.3.14 Declaration by Norton Rose Fulbright (Asia) LLP

Norton Rose Fulbright (Asia) LLP has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiaries as to laws of Singapore in relation to our Listing.

11.3.15 Declaration by Conyers Dill & Pearman Pte. Ltd.

Conyers Dill & Pearman Pte. Ltd. has confirmed that there is no conflict of interest situation in its capacity as the legal adviser to our material foreign subsidiary as to the laws of the Cayman Islands in relation to our Listing.

11.3.16 Declaration by Frost & Sullivan

Frost & Sullivan has confirmed that there is no conflict of interest situation in its capacity as the Independent Market Research Consultant in relation to our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

You should read the following historical financial information for the periods and as at the dates indicated below in conjunction with the *"Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects"* as set out in Section 12.2 of this Prospectus and our historical financial statements and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus.

The historical financial information included in this Prospectus do not reflect our Group's results of operations, financial position and cash flows in the future, and our Group's past operating results are not indicative of our Group's future operating performance.

12.1.1 Consolidated statements of profit or loss

The following table sets out the historical consolidated statements of profit or loss of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017:

	FYE 30 June		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Revenue	10,304,041	11,946,464	14,779,381
Operating expenses	(9,185,254)	(11,130,911)	(12,991,023)
Other operating income	333,144	331,102	2,671,005
Other gains and losses	118,986	121,303	78,507
Operating profit	**1,570,917**	**1,267,958**	**4,537,870**
Share of results of joint ventures	(33,774)	(1,883)	(76,606)
Share of results of associates	457	(6,706)	(5,929)
PBIT	**1,537,600**	**1,259,369**	**4,455,335**
Finance income	85,517	43,763	47,486
Finance costs	(307,194)	(464,093)	(471,858)
PBT	**1,315,923**	**839,039**	**4,030,963**
Tax (expense)/credit	(284,477)	163,896	(479,053)
Profit for the financial year	**1,031,446**	**1,002,935**	**3,551,910**
Profit for the financial year attributable to:			
- owner of our Company	997,113	967,179	3,507,099
- perpetual sukuk	-	-	2,724
- non-controlling interests	34,333	35,756	42,087
	1,031,446	**1,002,935**	**3,551,910**

12.1.2 Consolidated statements of comprehensive income

The following table sets out the historical consolidated statements of comprehensive income of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017:

	FYE 30 June		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Profit for the financial year	1,031,446	1,002,935	3,551,910
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences:			
- subsidiaries	527,590	421,291	214,580
- joint ventures	5,223	31,774	11,385
Available-for-sale investments:			
- changes in fair value	(16,587)	18,438	(1,983)
Cash flow hedge:			
- changes in fair value	(3,500)	(37,343)	6,763
- transfers to profit or loss	(7,342)	9,293	25,430
Tax credit/(expenses) relating to components of other comprehensive income	3,792	5,445	(7,034)
	509,176	448,898	249,141
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit plans	(7,494)	446	17,230
Share of other comprehensive (loss)/income of joint ventures	(20,857)	5,573	(8,179)
Tax credit/(charge) relating to components of other comprehensive income	1,954	(113)	(4,292)
	(26,397)	5,906	4,759
Total other comprehensive income for the financial year	**482,779**	**454,804**	**253,900**
Total comprehensive income for the financial year	**1,514,225**	**1,457,739**	**3,805,810**
Total comprehensive income for the financial year attributable to:			
- owner of our Company	1,455,089	1,386,966	3,764,109
- perpetual sukuk	-	-	2,724
- non-controlling interests	59,136	70,773	38,977
	1,514,225	**1,457,739**	**3,805,810**

12.1.3 Consolidated statements of financial positions

The following table sets out the historical consolidated statements of financial positions of our Group as at 30 June 2015, 30 June 2016 and 30 June 2017:

	As at 30 June		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Non-current assets			
Property, plant and equipment	17,137,292	18,002,191	18,339,595
Investment properties	14,115	14,139	15,180
Biological assets	8,422	44,969	-
Prepaid lease rentals	622,798	632,170	625,009
Joint ventures	511,840	551,252	479,675
Associates	141,441	132,859	129,123
Intangible assets	2,676,207	2,846,363	3,039,241
Available-for-sale investments	89,001	109,004	110,389
Deferred tax assets	152,867	580,060	640,812
Tax recoverable	334,173	407,016	332,700
Trade and other receivables	352,386	412,612	82,802
	22,040,542	**23,732,635**	**23,794,526**
Current assets			
Inventories	1,340,906	1,504,956	1,521,808
Biological assets	174,639	122,616	198,999
Trade and other receivables	2,483,783	2,274,949	2,558,126
Tax recoverable	83,099	47,678	385,161
Available-for-sale investments	14,207	13,705	-
Amounts due from fellow subsidiaries	227,829	76,244	43,031
Derivatives	13,068	24,124	56,184
Cash and bank balances and deposits	1,102,415	636,340	713,448
	5,439,946	**4,700,612**	**5,476,757**
Non-current assets held for sale	10,712	3,862	183,594
Total assets	**27,491,200**	**28,437,109**	**29,454,877**
Equity			
Share capital	600,000	600,000	600,000
Reserves	8,305,212	8,992,178	11,858,084
Equity attributable to the owner of our Company	8,905,212	9,592,178	12,458,084
Perpetual sukuk	-	-	2,231,384
Non-controlling interests	560,841	454,959	433,887
Total equity	**9,466,053**	**10,047,137**	**15,123,355**

	As at 30 June		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Non-current liabilities			
Retirement benefits	175,642	224,090	237,850
Deferred income	1,638	1,277	912
Deferred tax liabilities	2,420,167	2,482,075	2,595,657
Amounts due to fellow subsidiaries	700,000	7,477,346	-
Borrowings	3,592,019	4,551,977	6,412,478
Finance lease obligations	139,219	122,128	50,074
Other payables	4,291	1,514	8,915
	7,032,976	**14,860,407**	**9,305,886**
Current liabilities			
Trade and other payables	1,837,195	1,615,147	1,772,716
Deferred income	20,572	6,612	26,707
Amount due to holding company	395,246	705,759	145,392
Amounts due to fellow subsidiaries	7,508,618	101,835	1,441,523
Tax payable	7,519	74,030	267,729
Derivatives	31,532	49,311	27,732
Borrowings	1,184,685	970,388	1,325,449
Finance lease obligations	6,804	6,483	2,993
	10,992,171	**3,529,565**	**5,010,241**
Liabilities directly associated with non-current assets held for sale	-	-	15,395
Total liabilities	**18,025,147**	**18,389,972**	**14,331,522**
Total equity and liabilities	**27,491,200**	**28,437,109**	**29,454,877**

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12.1.4 Consolidated statements of cash flows

The following table sets out the historical consolidated statements of cash flows of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017:

	FYE 30 June		
	2015	2016	2017
	RM'000	RM'000	RM'000
Cash flows from operating activities			
Profit for the financial year	1,031,446	1,002,935	3,551,910
Adjustments for:			
Amortisation of:			
- intangible assets	18,297	32,365	38,600
- prepaid lease rentals	34,754	37,820	40,661
Bad debts written off	903	4,575	10,274
Depreciation of:			
- property, plant and equipment	744,895	1,054,202	1,167,333
- investment properties	58	69	78
Dividend income	(3,546)	(1,483)	(1,793)
Finance costs	307,194	464,093	471,858
Finance income	(85,517)	(43,763)	(47,486)
Fair value (gain)/loss:			
- commodities futures contracts	(3,958)	(6,162)	(23,725)
- forward foreign exchange contracts (non-hedging derivatives)	6,695	(3,476)	2,878
- forward foreign exchange contracts (cash flow hedge)	7,342	(9,293)	(25,430)
Fair value charges in biological assets (net)	(30,601)	25,976	(23,391)
(Gains)/Losses on disposal of:			
- property, plant and equipment	(300,489)	(4,611)	(2,562,728)
- non-current assets held for sale	-	(210,898)	-
- available-for-sale investments	-	-	1,538
- biological assets	-	(6,536)	-
- subsidiary	638	-	-
Impairment of:			
- property, plant and equipment	14,494	75	210,178
- intangible assets	-	3,015	-
- trade and other receivables	2,394	9,772	12,887
Intangible assets written off	-	-	2,166
Property, plant and equipment written off	31,588	25,645	57,646
Retirement benefits	20,602	46,522	44,340
Employee share scheme	(845)	(13,518)	-
Reversal of impairment of:			
- property, plant and equipment	(755)	-	-
- trade and other receivables	(524)	(19,641)	(620)
Reversal of accruals for claims	(173)	(4,060)	-
Share of results of:			
- joint ventures	33,774	1,883	76,606
- associates	(457)	6,706	5,929

	FYE 30 June		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Tax expense/(credit)	284,477	(163,896)	479,053
Unrealised exchange gains (net)	(51,483)	(35,070)	(10,023)
Write-down/(Reversal) of inventories (net)	1,439	(837)	(22,562)
	2,062,642	**2,192,409**	**3,456,177**
Changes in working capital:			
Inventories	(103,407)	(107,570)	108,778
Trade and other payables	364,353	(204,111)	186,711
Trade and other receivables	(157,945)	54,478	120,005
Intercompany balances	224,725	112,899	62,024
Cash generated from operations	**2,390,368**	**2,048,105**	**3,933,695**
Tax paid	(411,015)	(244,440)	(622,989)
Retirement benefits paid	(6,383)	(6,722)	(18,649)
Net cash generated from operating activities	**1,972,970**	**1,796,943**	**3,292,057**
Cash flows from investing activities			
Acquisition of a subsidiary	(5,998,169)	-	-
Acquisition of business	-	-	(106,689)
Additional investment in:			
- existing joint ventures	(23,413)	(3,682)	-
- existing associate	(33,105)	(34,054)	-
Subscription of convertible notes of an associate	-	(17,444)	(48,102)
Advances for plasma plantation projects	(1,570)	(23,296)	(9,493)
Dividends received from:			
- associates	1,067	2,439	1,319
- other investments	3,546	1,483	1,793
Finance income received	66,910	23,852	26,182
Investments in joint ventures	(25)	-	-
Proceeds from sales of:			
- property, plant and equipment	331,745	33,316	154,984
- non-current assets held for sale	-	217,750	-
- investment in subsidiaries	46,533	-	-
- available-for-sale investments	-	-	12,816
Purchase of:			
- interest in available-for-sale investment	(22,703)	-	-
- property, plant and equipment	(1,108,495)	(1,297,199)	(1,574,155)
- intangible assets	(48,913)	(37,746)	(35,209)
- prepaid lease rentals	(4,984)	(452)	(1,093)
Net cash used in investing activities	**(6,791,576)**	**(1,135,033)**	**(1,577,647)**

	FYE 30 June		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Cash flows from financing activities			
Finance cost paid	(351,963)	(542,466)	(514,984)
Loans raised	3,312,711	1,970,240	6,513,384
Loan from/(Repayment to) fellow subsidiaries	2,987,364	(577,233)	(657,707)
Repayment to holding company	(252,724)	(79,487)	(956,320)
Advances from holding company	-	390,000	395,953
Loans paid	(398,714)	(1,457,104)	(5,418,097)
Repayment of finance lease obligations	(5,739)	(17,412)	(75,544)
Dividend paid to holding company	(600,000)	(700,000)	(900,000)
Dividend paid to non-controlling interests of subsidiaries	(64,496)	(176,655)	(60,049)
Net cash generated from/(used in) financing activities	**4,626,439**	**(1,190,117)**	**(1,673,364)**
Net (decrease)/increase in cash and cash equivalents during the financial year	**(192,167)**	**(528,207)**	**41,046**
Foreign exchange differences	105,272	62,132	36,062
Cash and cash equivalents at the beginning of the financial year	**1,189,310**	**1,102,415**	**636,340**
Cash and cash equivalents at the end of the financial year	**1,102,415**	**636,340**	**713,448**

12.1.5 Consolidated financial data

The following table sets out the selected historical consolidated financial data of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017:

	FYE 30 June		
	2015	**2016**	**2017**
Gross profit (RM'000)	4,795,063	5,448,422	6,922,708
Depreciation and amortisation (RM'000)	798,004	1,124,456	1,246,672
Gross profit margin (%)[(1)]	46.5	45.6	46.8
PBT margin (%)[(2)]	12.8	7.0	27.3
EPS[(3)]			
- Basic (RM)	1.66	1.61	5.84
- Diluted (RM)	1.66	1.61	5.84
NA (RM'000)	9,466,053	10,047,137	15,123,355

Notes:

(1) Computed based on gross profit divided by the total revenue of our Group.
(2) Computed based on PBT divided by the total revenue of our Group.
(3) Calculated by dividing the profit for the financial year attributable to the owner of our Company by the weighted average number of Shares for the respective financial year.

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following discussion and analysis of our historical consolidated financial information in respect of the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 are based on, and should be read in conjunction with the Accountants' Report and the notes thereon included in Section 13 of this Prospectus.

12.2.1 Overview of our Group's business operations

We are a globally integrated plantation company, involved in the entire span of the palm oil value chain, from upstream to downstream activities, R&D, renewables and agribusiness. We are also involved in rubber and sugarcane plantations as well as cattle rearing.

Our primary activities involve:

Upstream:

- developing, cultivating and managing oil palm, rubber and sugarcane plantation estates;
- milling of FFB into CPO and PK, processing and sales of rubber and sugarcane; and
- cattle rearing and beef production.

Downstream:

- crushing of PK into CPKO and PKE;
- production and sales of bulk and refined oils and fats (which includes specialty and end-user oils and fats); and
- production and sales of nutraceutical products (which includes nutritional supplements such as tocotrienols, and animal nutrition products), oleochemicals, biodiesel and derivatives.

Others:

- other activities including agricultural products and services, production and sales of oil palm seeds and seedlings, research and breeding programmes of oil palm and rubber with special focus on genome science; and
- renewable business with a focus on development of green technology and renewable energy which includes bio-based chemicals, biogas and composting (through our joint ventures and associates).

In upstream, we operate and manage 248 plantation estates and 72 oil palm mills located in Malaysia, Indonesia, PNG and the Solomon Islands and Liberia. As at the LPD, we have a total landbank of 983,528 Ha, of which 602,454 Ha is planted with oil palm, 13,478 Ha with rubber and 5,613 Ha with sugarcane. We also have a total of 8,956 Ha of land allocated for cattle rearing.

Our downstream operations, inclusive of sales and marketing offices, are spread across 16 countries. Our operating assets include 12 refineries (3,973,000 MT), 10 KCPs (569,640 MT), 1 soya crushing plant (132,000 MT), 1 biodiesel plant (60,000 MT), 14 bulking installations (about 300,000 MT) and 3 oleochemical plants, through our joint venture in Emery (663,000 MT).

12.2.2 Significant accounting judgments and estimates

We have prepared our consolidated financial statements for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 in accordance with the MFRS and IFRS.

In preparing our consolidated financial statements in conformity with the MFRS and IFRS, we are required to make judgements, estimates and assumptions regarding uncertainties that affect certain reported amounts of revenues and expenses during the financial reporting period as well as certain assets and liabilities, and the disclosure of contingent liabilities at the financial 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.

Our management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of our Group's accounting policies. Although estimates and judgements are continually evaluated and are based on our management's best knowledge of current events and actions, historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances, actual results may differ from the estimates.

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

We believe our most critical accounting policies that result in the application of judgements, estimates and assumptions are the following:

(i) Impairment of non-financial assets

Our management assesses whether there is any indication that non-financial assets are impaired at the end of each financial reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less cost to sell that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical sector and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions would affect the amount of impairment on the asset.

(ii) Taxation

(a) Income taxes

Our Group has recognised certain tax recoverable for which our management believes that there is a reasonable basis for recognition. Where the final tax outcome of this matter is different from the amount that was initially recorded, such difference may cause a material adjustment to the carrying amount of the tax recoverable balance recorded in the period in which such determination is made.

(b) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. Our management makes judgment on the future taxable profits of a particular entity in which the deferred tax asset has been recognised.

(iii) Fair value of biological assets

(a) Oil palm

Our Group attributes a fair value on the FFB at each financial reporting date as required under MFRS 141 "Agriculture". FFB are the produce of oil palm trees and are harvested continuously throughout the financial year to be used in the production of CPO. Each FFB takes around 22 weeks from pollination to reach maximum oil content to be ready for harvesting. The values of each FFB at every point of the FFB production cycle will vary based on the cumulative oil content in each fruit.

In determining the fair values of FFB, our management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvesting. As the oil content accrues exponentially in the 2 weeks prior to harvesting, FFB that are more than 2 weeks away from harvesting are excluded from the valuation of our FFB, as its fair values are considered negligible.

The valuation model adopted by our Group for the FFB is a discounted cash flow model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of CPO at the date of harvest, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest.

(b) Growing canes

The determination of fair value for our Group's growing canes requires estimates to be made on the anticipated cane harvest, its age and condition at the financial reporting date, the sucrose content to be extracted and sugar prices. The anticipated cane harvest is based on our management's current planting statistics and production forecast. Fair value of the harvested cane is based on the accepted industry benchmark of allocating the fair value of sugar production between the fair value attributable to the cane grower and the fair value attributable to the miller. The fair value of the growing cane at the financial reporting date is based on the estimated fair value of the growing cane less further costs to be incurred in growing and harvesting the cane up to the point of harvest and contributory asset charges.

(iv) Purchase price allocation

Purchase prices related to business combinations and asset acquisitions are allocated to our underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires our management to make judgements, estimates and assumptions, regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts our Group's reported assets and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

12.2.3 Significant factors affecting our Group's results of operations

The primary factors that have affected and are expected to continue to affect our results of operations include but are not limited to the following:

(i) Prices of commodity and raw materials

The performance of our Group is largely affected by the CPO prices which vary on a daily basis and as such, our Group's earnings and profit margin are subject to market vagaries. The exports of our crude and processed palm oil products are largely denominated in USD, and therefore, the prices achieved by our Group for our palm products and our Group's profit margin are also highly susceptible to fluctuations in the exchange rate between the USD and the local currencies where such products are produced.

In addition, the prices of our palm products and our Group's profit margin are fundamentally dependent on the supply and demand conditions in the world's oils and fats market, including the prices of soybean and crude oil.

For example, our Group was affected by the downturn in CPO prices in 2015 which affected our margins in the FYE 30 June 2015 (i.e. lower margin compared to FYE 30 June 2014). While the average selling price of CPO was higher during the FYE 30 June 2016 due to weak production and low inventories affected by the severe El Nino weather phenomenon in 2015, the upside in CPO prices were capped by high soybean supplies in the United States and South America as well as low crude oil prices. This is evidenced by the marginal increase in the average selling price of CPO of 2.2% to RM2,242 per MT for the FYE 30 June 2016. Notwithstanding that, the average selling price of CPO had further increased by another 27.0% to RM2,848 per MT during the FYE 30 June 2017, which had, among others, contributed to the improvement in our operating and profit margin during the said financial year.

Furthermore, fluctuations in the prices and supply of raw materials, which include fertilisers and fuel, may affect our business. The prices and availability of raw materials may be affected by factors such as changes in their global supply and demand, the state of the global economy, inflationary pressure, environmental regulations, tariffs, natural disasters, forest fires, weather conditions and labour unrest.

(ii) Variations in the yield levels of oil palm due to age and other factors

Oil palm yields are primarily influenced by its age profile. FFB can only be commercially harvested from mature oil palm crops and it generally takes 3 years from planting for an oil palm crop to mature. A typical mature oil palm will remain productive for up to 30 years.

After the oil palm has passed its prime age (being the range of 9 to 18 years), the harvested FFB yield is expected to decrease and such decrease will affect the performance of our plantation estates. Other factors can also affect yield such as seed quality, estate maintenance and upkeep, pest and diseases, and soil fertility.

(iii) Adverse weather conditions

Weather has a key impact on oil palm yields. Global warming and weather phenomena such as El Nino and La Nina, in particular, have affected the weather in Malaysia, Indonesia, PNG and Liberia for the last decade. Wet weather adversely affects harvesting and crop recovery as plantations become less accessible due to poor road conditions while dry weather affects the yield of oil palm as low rainfall generally equates to lower FFB yields for the next 18 months.

During the FYE 30 June 2015, the Super El Nino phenomenon brought about extreme and prolonged dry weather in most parts of Peninsular Malaysia, Sabah, South Kalimantan and PNG which affected our crop production and our profit margin in the FYE 30 June 2016. However, in the FYE 30 June 2017, we were gradually recovering from the effects of the Super El Nino phenomenon and our FFB production and yield, as well as our profit margin had improved during the said financial year.

(iv) Foreign exchange fluctuations

Our functional reporting currency is RM. As the selling prices of CPO and other palm products are derived from global commodity prices and are quoted in USD, foreign exchange rate fluctuations may affect our Group's earnings.

Our Group also has foreign currency-denominated assets and liabilities which are subject to translation risks as our financial performance are reported in RM. A weakening of the RM against foreign currencies may increase our Group's operating expenses denominated in or tied to the value of foreign currencies such as costs of imported fuel, and would increase the cost of our Group's foreign currency capital expenditures, which include expenditures for equipment, machinery and raw materials. In addition, a weakening of the RM against foreign currencies will also increase our Group's interest expenses on foreign currency-denominated indebtedness, as well as increase our Group's principal repayments on outstanding foreign currency loans.

(v) Competition and changes in consumer trends

The edible oil business is highly competitive due to the presence of a large number of local and international producers. Our competitors are constantly developing more advanced production technology and product formulations in order to gain a larger market share and a competitive edge. We also face strong competition from substitute oils such as soybean oil and rapeseed oil, and certain countries promote farming and consumption of other edible oils, such as soybean oil, through subsidies.

The edible oil business is also characterised by frequent changes in consumer preferences. Our Group's success and profitability will depend on our ability to anticipate and respond to the competitive factors affecting the industry, including the introduction of new products, pricing policies of our competitors, changing consumer preferences and prices of alternative edible oils, and regional and local economic conditions.

(vi) An outbreak of infectious or virulent diseases

An outbreak of infectious or virulent diseases, if uncontrolled, may have a material adverse effect on the economies of certain countries and our operations. If any of our employees or the employees of our suppliers and/or customers are infected with such diseases or if a signification portion of our workforce refuse to work for fear of contracting an infectious disease, our Group, our suppliers and/or customers may be required to shut down operations for a period of time. For example, an epidemic of the Ebola virus disease occurred in Liberia from 2014 to 2016, and was one of the most widespread outbreak of the Ebola virus disease in recent history. The outbreak caused major loss of life and socioeconomic disruption in the West African region, mainly in Liberia, Guinea and Sierra Leone. Due to the Ebola virus disease outbreak, we incurred about USD1.6 million (equivalent to around RM7 million) in the FYE 30 June 2015 and FYE 30 June 2016 on relocation costs of our expatriate management in Liberia to Ghana, rehabilitation of our plantation, as well as undertaking awareness and preventative measures.

Our investments in Liberia have yet to generate positive returns to our Group primarily due to the dry spells in the weather that occur annually, the recent Ebola virus disease crisis and the increasing operational costs as described in Section 5.3.3.1 of this Prospectus. The recent Ebola virus disease crisis, which disrupted our key operational activities, such as manuring, irrigation works and field upkeeps, had also affected the current yields of our oil palm. For the FYE 30 June 2017, we have recognised an impairment loss of about RM202 million on our investment in Liberia.

(vii) Labour costs

Our plantation business is labour-intensive by nature. Oil palm plantations require extensive manpower in the nurturing of seedlings, palm planting, manuring, harvesting and other routine maintenance work to achieve optimal yields. In general, labour costs have been increasing in all of our operating regions throughout the years.

In Malaysia, the palm oil industry has been facing difficulty in recruiting Malaysian workers and has resorted to employing foreign workers. As such, the majority (about 75% as at the LPD) of our estate workers in our Malaysian oil palm plantations and mills are foreign workers.

An increase in the foreign worker levy in Malaysia came into effect on 18 March 2016. The levy for the plantation and agriculture sector increased by RM50 per worker to RM640 per worker. This has led to an increase in the costs to hire new workers or renew contracts for our Group's existing foreign workers.

The Government of Malaysia also increased the minimum wage in Malaysia on 1 July 2016. The minimum wage increased from RM900 a month to RM1,000 a month in Peninsular Malaysia and from RM800 a month to RM920 a month in East Malaysia. The average minimum wage in Indonesia has also been on an increasing trend having increased by 56% from an average of RM492 per month in 2014 to RM768 per month in 2017.

As such, the increase in foreign worker levies and minimum wage have increased the labour costs of our Group throughout the financial years under review. Any further increase in foreign worker levies and minimum wage will affect the labour costs of our Group in the future.

12.2.4 Principal components of our historical consolidated statements of profit or loss

The following describes the principal components of the historical consolidated statements of profit or loss of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 and are not necessarily indicative of the principal components of the consolidated statement of profit or loss of our Group to be expected for any future periods:

(i) Revenue

The historical revenue of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 are set out below:

	FYE 30 June					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Upstream						
Sale of goods						
• External parties						
- Palm oil products	2,722,178	26.4	2,198,186	18.4	3,220,964	21.8
- Rubber	59,758	0.6	55,090	0.5	68,218	0.5
- Sugar	46,493	0.5	150,472	1.2	175,395	1.2
- Beef	9,964	0.1	34,111	0.3	37,565	0.3
• Intersegment sales						
- Palm oil products	3,238,695	31.4	4,150,787	34.7	5,298,216	35.8
Other income from external parties						
- Performance of services	42,891	0.4	51,187	0.4	136,064	0.9
- Dividend income	2,900	*	1,160	*	1,740	*
	6,122,879	59.4	6,640,993	55.5	8,938,162	60.5
Less: intersegment sales	(3,238,695)	(31.4)	(4,150,787)	(34.7)	(5,298,216)	(35.8)
	2,884,184	28.0	2,490,206	20.8	3,639,946	24.6
Downstream						
Sale of goods						
• External parties						
- Refined edible oils and fats	7,112,498	69.0	9,121,918	76.4	10,773,234	72.9
- Biodiesel	164,051	1.6	159,431	1.3	184,699	1.2
• Intersegment sales						
- Refined edible oils and fats	6,913	0.1	19,023	0.2	58,982	0.4

12. FINANCIAL INFORMATION *(Cont'd)*

	FYE 30 June					
	2015		2016		2017	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Other income from external parties						
Performance of services	78,436	0.8	108,175	0.9	121,465	0.8
	7,361,898	71.5	9,408,547	78.8	11,138,380	75.4
Less: intersegment sales	(6,913)	(0.1)	(19,023)	(0.2)	(58,982)	(0.4)
	7,354,985	71.4	9,389,524	78.6	11,079,398	75.0
Other operations						
Sale of goods						
• External parties						
- Agricultural products	35,032	0.3	43,510	0.4	40,216	0.3
- Seeds and seedling	26,189	0.3	20,000	0.2	17,298	0.1
• Intersegment sales						
- Agricultural products	137,565	1.3	130,078	1.1	101,947	0.7
- Seeds and seedling	9,665	0.1	9,717	0.1	14,909	0.1
Other income						
• External parties						
- Performance of services	3,005	*	2,901	*	2,470	*
- Dividend income	646	*	323	*	53	*
• Intersegment income						
- Performance of services	121,269	1.2	137,821	1.2	125,198	0.8
	333,371	3.2	344,350	3.0	302,091	2.0
Less: intersegment sales and income	(268,499)	(2.6)	(277,616)	(2.4)	(242,054)	(1.6)
	64,872	0.6	66,734	0.6	60,037	0.4
Total revenue	**10,304,041**	**100.0**	**11,946,464**	**100.0**	**14,779,381**	**100.0**

	FYE 30 June					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Countries						
Malaysia	2,815,767	27.3	2,775,144	23.2	3,364,130	22.8
European countries[(1)]	1,916,438	18.6	3,055,874	25.6	3,228,061	21.8
India	1,409,713	13.7	1,855,993	15.5	2,814,295	19.0
Indonesia	1,257,293	12.2	906,857	7.6	1,100,193	7.4
South Africa	611,824	5.9	581,521	4.9	684,397	4.6
PNG and the Solomon Islands	119,060	1.2	235,423	2.0	340,024	2.3
China	187,558	1.8	403,329	3.4	321,066	2.2
Liberia	605	*	470	*	11,446	0.1
Other Southeast Asian countries	1,534,191	14.9	1,643,414	13.7	1,915,184	13.0
Other countries	451,592	4.4	488,439	4.1	1,000,585	6.8
Total revenue	**10,304,041**	**100.0**	**11,946,464**	**100.0**	**14,779,381**	**100.0**

Notes:

* *Less than 0.05%*
(1) Includes the United Kingdom

Our Group's revenue comprise the following:

Nature of revenue		Description
Upstream		
Sale of goods	:	Sales of CPO and PK, latex concentrate, SMR, skim coagulum, sugar and beef. This includes sales of CPO and PK to our downstream operations and external customers.
Other income	:	Freight handling services which we charge our customers for freight charges incurred by us to transport the goods from our mills and factories to them, rental of shop lots at our estates, leasing income from plots of our land that are leased for telecommunication and electricity towers/ substations, leasing income of an aircraft, fees earned from the provision of management services to plasma farmers and our associates, dividend income received from investment in plantation-related securities as well as lease income received from coal mining companies.
Downstream		
Sale of goods	:	Sales of refined edible oils and fats such as olein, CPKO, soybean, rapeseed and sunflower oils, as well as biodiesel products.

Nature of revenue		Description
Other income	:	Freight handling services which we charge our customers for freight charges incurred by us to transport the goods from our refineries to them, commission income received by SD Futures Trading, our wholly-owned subsidiary, from Sime Darby Holdings Berhad ("**SDHB**") (a wholly-owned subsidiary of SDB) for acting as a sub-agent for the sale of refined edible oils from our refineries to external customers and rental of storage tanks.
Other operations		
Sale of goods	:	Sale of agricultural products comprising fertilisers, rat baits, harvesting poles and cover crops as well as seeds and seedlings products comprising oil palm and rubber seeds, and polybag oil palm seedlings. We sell a large majority of these products to our upstream operations.
Other income	:	Fees earned from the provision of agricultural consultancy, pest control and laboratory testing services (which are substantially provided to support our upstream operations), as well as dividend income from our investment in quoted shares.

Our Group's revenue is primarily derived from the sale of CPO and PK produced by our estates and mills, as well as the sale of refined edible oils and fats products (RBD olein, CPKO, balancing fats, specialty oils and confectionary fats) produced by our refineries. We sell our products to our customers worldwide, primarily in Malaysia, India, Thailand, Indonesia, South Africa, China, Vietnam, Singapore, PNG and the Solomon Islands, Germany, the United Kingdom, the Netherlands and other European countries.

(ii) Operating expenses

The historical operating expenses of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 are set out below:

	FYE 30 June					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Upstream						
FFB purchase costs	516,100	5.6	635,153	5.7	1,046,200	8.1
Plantation operating costs	2,872,255	31.3	3,278,025	29.5	3,482,355	26.8
Depreciation and amortisation	696,342	7.6	1,017,637	9.1	1,133,419	8.7
Selling and marketing	178,242	1.9	212,731	1.9	235,980	1.8
Other expenses	580,497	6.3	658,962	5.9	1,210,314	9.3
	4,843,436	52.7	5,802,508	52.1	7,108,268	54.7
Intersegment purchases	266,209	2.9	289,082	2.6	301,812	2.3
	5,109,645	55.6	6,091,590	54.7	7,410,080	57.0

	FYE 30 June					
	2015		2016		2017	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Downstream						
Edible oils and consumables	3,251,376	35.4	4,159,663	37.4	4,733,037	36.4
Depreciation and amortisation	85,105	0.9	92,006	0.9	98,120	0.8
Transportation	140,354	1.5	205,396	1.8	243,531	1.9
Other expenses	568,404	6.2	573,624	5.2	536,018	4.1
	4,045,239	44.0	5,030,689	45.3	5,610,706	43.2
Intersegment purchases	3,247,145	35.4	4,157,031	37.3	5,294,971	40.8
	7,292,384	79.4	9,187,720	82.6	10,905,677	83.9
Other operations						
R&D	106,441	1.2	120,494	1.1	114,937	0.9
Depreciation and amortisation	16,557	0.2	14,813	0.1	15,133	0.1
Other expenses	173,581	1.9	162,407	1.5	141,979	1.1
	296,579	3.3	297,714	2.7	272,049	2.1
Intersegment expenses	753	*	1,313	*	2,469	*
	297,332	3.3	299,027	2.7	274,518	2.1
Less: intersegment purchases and expenses	(3,514,107)	(38.3)	(4,447,426)	(40.0)	(5,599,252)	(43.1)
Total operating expenses	**9,185,254**	**100.0**	**11,130,911**	**100.0**	**12,991,023**	**100.0**

Note:

* *Less than 0.05%.*

Our Group's operating expenses comprise the following:

Type of operating expenses		**Description**
Upstream		
FFB purchase costs	:	Costs of purchasing FFB from third party oil palm plantation estates. The majority of the FFB processed by our mills is sourced from our own plantations. However, in order to maximise the utilisation of our mills, we also purchase FFB from neighbouring third party estates or suppliers for milling.

Type of operating expenses		**Description**
Plantation operating costs	:	Costs relating to the operations of our oil palm plantation estates and mills, rubber plantation and factory, sugar plantation and factory as well as cattle operations, which include: • upkeep and cultivation costs mainly comprising repair and maintenance of roads and bridges, weeding, pruning, manuring, pests and diseases control and drainage works at our estates; • collection and transportation costs including wages paid to our estate workers for harvesting our FFB and running costs of our estate machinery such as tractors and transportation costs of our FFB to our mills; • mill and factory processing costs including consumables such as fuel and chemical, upkeep of machineries and wages paid to our workers; • salaries and/or allowances of our workers and employees, workers' and employees' benefits such as medical expenses and utilities expenses, and other staff expenses for our workers and employees at our plantation estates, mills and factories; • expenses incurred on the recruitment of foreign workers; and • quit rent, office expenses, security expenses, insurance, computer charges (software and network) and sundry expenses for our upstream operations.
Depreciation and amortisation	:	Depreciation charges on bearer plants planting costs, estate and mills building, machinery and equipment, motor vehicles and infrastructure at our estates and mills, as well as amortisation on prepaid lease rentals for the rights to use leasehold lands and intangible assets (i.e. computer software, smallholder relationship).
Selling and marketing	:	Freight, transportation and handling charges from mills and factories to customers, sales commission paid to SDHB for purchase of FFB from third party estates and subsequent sales of palm products (CPO and PK) from mills, and windfall levy.
Other expenses	:	Administrative expenses incurred at our offices located in Malaysia, Indonesia, PNG and Singapore, which include employees' salary and benefits, office expenses, insurance, travelling, as well as management fees paid to SDHB.

Type of operating expenses		Description
Downstream		
Edible oils and consumables	:	Purchase of CPO and edible oils, including coconut oil and soya oil from external suppliers for our own production and for trading, as well as consumables such as fuel and chemical.
Depreciation and amortisation	:	Depreciation charges on building, plant and machinery, motor vehicles and other fixed assets at our refineries and sales offices as well as amortisation of intangible assets (such as computer software, customer relationship from our acquisition of NBPOL and acquired brand name/trademark).
Transportation	:	Freight, transportation and handling from our refineries to our customers.
Other expenses	:	Salaries and wages, maintenance of refineries, insurance, utilities, travelling and other administrative expenses for our downstream operations.
Other operations		
R&D	:	Expenses incurred at our research facilities including employees' salary and benefits, rental of premises, laboratory and testing consumables, professional fees, travelling and other expenses.
Depreciation and amortisation	:	Depreciation charges on building, plant and machinery, laboratory equipment and other fixed assets at the seedling production centres, warehouse, agriculture factory, as well as R&D centres and amortisation of intangible assets (i.e. computer software).
Other expenses	:	Expenses incurred by other operations which include manufacturing costs and purchase costs of agricultural products such as fertilisers, as well as employees' salary and benefits, rental of premises, insurance, utilities, travelling and other administrative expenses.

Our Group's intersegment operating expenses comprise the following:

Type of operations		Description
Upstream	:	Expenses incurred on R&D services provided by our R&D units as well as the purchase of agricultural products such as fertilisers, harvesting poles and cover crops as well as seeds and seedlings for our upstream operations.

Type of operations		Description
Downstream	:	Purchase of CPO and PK from our upstream operations as well as expenses incurred on laboratory testing services provided by our R&D unit.
Other operations	:	Purchase of CPO and refined edible oils for R&D testing purposes.

Our purchase of CPO and edible oils as well as consumables for our downstream operations represents the highest cost incurred by our Group followed by plantation operating costs from our upstream operations.

(iii) Other operating income

The historical other operating income of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 are set out below:

	FYE 30 June					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Gain on disposals of:						
- property, plant and equipment	300,489	90.2	4,611	1.4	2,562,728	96.0
- non-current assets held for sale	-	-	210,898	63.7	-	-
Government grants/incentives	934	0.3	1,415	0.4	96	*
Insurance claims	1,339	0.4	8,323	2.5	13,041	0.5
Other comprehensive income	1,214	0.4	2,775	0.8	11,935	0.5
Reversal of impairment of:						
- property, plant and equipment	755	0.2	-	-	-	-
- trade and other receivables	524	0.2	19,641	5.9	620	*
Reversal of accruals for claims	173	0.1	4,060	1.2	-	-
Reversal of inventories write-down	-	-	837	0.3	22,562	0.8
Sale of scrap	3,838	1.2	2,836	0.9	11,977	0.4
Sale of rubber wood	2,769	0.8	923	0.3	10,291	0.4
Write-back of allowance for irrecoverable tax credit	-	-	31,699	9.6	-	-
Other income	21,109	6.2	43,084	13.0	37,755	1.4
Other operating income	**333,144**	**100.0**	**331,102**	**100.0**	**2,671,005**	**100.0**

Note:

* *Less than 0.05%*

Our other operating income for the FYE 30 June 2015 and FYE 30 June 2017 mainly consists of gain from disposals of property, plant and equipment while our other operating income for the FYE 30 June 2016 mainly consists of gains from disposals of non-current assets held for sale. Other income consists of replanting subsidies received from the Malaysian government and other sundry income.

In the FYE 30 June 2016, we wrote-back NBPOL's impairment on tax credits receivable from the PNG government of about RM32 million, which we provided for upon our acquisition of NBPOL in March 2015. We wrote-back the said impairment as the tax credits have been recovered from the PNG government via offset of tax liabilities. We also recorded higher reversal of impairment of trade and other receivables of about RM20 million, mainly due to tighter credit management implemented on our customers as well as recovery of amounts from smallholders in PNG and the Solomon Islands. In 2016, we initiated a cost reduction programme which had included tighter credit management to better manage our working capital and mitigate the effects of low CPO prices.

In the FYE 30 June 2017, in addition to the gain on disposals of property, plant and equipment mainly arising from gain of about RM2,469 million from the sale of the Malaysia Vision Valley land to KSDB, we also recorded higher insurance claims of about RM13 million mainly due to claims of losses arising from fire incidents at our refinery as well as flooding at our estates which damaged our oil palm. We also wrote back inventories that were previously written down of about RM23 million as our reassessment on recoverability of certain inventories indicated that our provision was more than sufficient.

(iv) Other gains and losses

The historical other gains and losses of our Group for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 are set out below:

	FYE 30 June					
	2015		**2016**		**2017**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Fair value losses on forward foreign exchange contracts:						
- non-hedging derivatives	(6,695)	(5.6)	-	-	(2,878)	(3.7)
- cash flow hedge	(7,342)	(6.2)	-	-	-	-
Net foreign exchange gain						
- realised	77,582	65.2	67,302	55.5	22,207	28.3
- unrealised	51,483	43.3	35,070	28.9	10,023	12.8
Fair value gains on commodities futures contracts	3,958	3.3	6,162	5.1	23,725	30.2
Fair value gains on forward foreign exchange contracts:						
- non-hedging derivatives	-	-	3,476	2.9	-	-
- cash flow hedge	-	-	9,293	7.6	25,430	32.4
Other gains and losses	**118,986**	**100.0**	**121,303**	**100.0**	**78,507**	**100.0**

Other gains and losses of our Group consist of the net gain from foreign currency exchange differences from settlement of foreign currency denominated transactions, and net gain/loss from fair value changes of derivatives (i.e. foreign exchange contracts and commodity futures) in accordance with the requirements of MFRS 139 for derivatives to be marked to market.

(v) Operating profit

Our operating profit is derived from our total revenue less total operating expenses and adding other operating income and other gains and losses.

The following table sets out our operating profit as a percentage of our total operating profit as well as our operating profit margin by each of our business segment for the periods indicated:

	FYE 30 June					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Operating profit:						
- Upstream	1,465,364	93.3	1,001,808	79.0	4,277,594	94.3
- Downstream	69,514	4.4	220,827	17.4	232,703	5.1
- Other operations	36,039	2.3	45,323	3.6	27,573	0.6
Total operating profit	**1,570,917**	**100.0**	**1,267,958**	**100.0**	**4,537,870**	**100.0**
Operating profit margin:						
- Upstream(1)		23.9		15.1		47.9(3)
- Downstream(1)		0.9		2.3		2.1
- Other operations(1)		10.8		13.2		9.1
- Overall(2)		**15.2**		**10.6**		**30.7**(3)

Notes:

(1) Based on each segment's total revenue (including intersegment sales).
(2) Based on our Group's external sales.
(3) This includes the gain of about RM2,469 million from the sale of the Malaysia Vision Valley land to KSDB. By excluding such gain, the operating profit margin of our upstream operations and the overall operating profit margin are about 20.2% and 14.0% respectively.

(vi) Share of results of joint ventures and associates

Our Group recognises share of results of our joint ventures and associates based on our effective shareholding in those companies. For any financial period, our share of results of our joint ventures and associates is dependent on the results of operations of our joint ventures and associates.

(vii) PBIT

Our PBIT is derived by adding our total operating profit with our share of results of our joint ventures and associates.

The following table sets out our PBIT as a percentage of our total PBIT as well as our PBIT margin by each of our business segment for the periods indicated:

	FYE 30 June					
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
PBIT						
- Upstream	1,465,364	95.3	1,001,808	79.5	4,277,594	96.0
- Downstream	69,514	4.5	220,827	17.5	232,703	5.2
- Other operations	2,722	0.2	36,734	3.0	(54,962)	(1.2)
Total PBIT	**1,537,600**	**100.0**	**1,259,369**	**100.0**	**4,455,335**	**100.0**
PBIT margin:						
- Upstream(1)		23.9		15.1		47.9(3)
- Downstream(1)		0.9		2.3		2.1
- Other operations(1)		0.8		10.7		(18.2)
- Overall(2)		**14.9**		**10.5**		**30.1**(3)

Notes:

(1) Based on each segment's total revenue (including intersegment sales).
(2) Based on our Group's external sales.
(3) This includes the gain of about RM2,469 million from the sale of the Malaysia Vision Valley land to KSDB. By excluding such gain, the PBIT margin of our upstream operations and the overall PBIT margin are about 20.2% and 13.4% respectively.

(viii) Finance income

Our Group's finance income for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 mainly consist of interest income from deposits with banks and other financial institutions, interest charged to our customers for late payments and extended credit, as well as the accretion of interests, being the recognition of the fair value arising from the redeemable loan stocks ("**RLS**") of Prolintas Expressway Sdn Bhd ("**Prolintas**"), a PNB-related company.

The RLS was issued following the disposal of Prolintas by a related company, where the former advances from Kumpulan Jelei Sdn Bhd, a subsidiary of our Company to Prolintas were partially repaid in cash and the balance was converted into zero coupon RLS. The zero coupon RLS was subsequently sold to PNB via a sale and purchase agreement dated 27 October 2017 entered into between Kumpulan Jelei Sdn Bhd and PNB. The said sale of RLS is pending completion as at the date of this Prospectus.

(ix) Finance costs

Our finance costs for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017 comprise interest charged by banks and other financial institutions on our Group's borrowings, interest charged by SDHB on its advances given to our Group, accretion of interests on finance lease, amortisation of deferred financing expenses and net interest expense on interest rate swaps.

12.2.5 Results of operations

(i) Review of performance for the FYE 30 June 2016 compared to FYE 30 June 2015

The following table summarises our consolidated statement of income information for the years indicated:

	FYE 30 June		Variance	
	2015	**2016**		
	RM'000	**RM'000**	**RM'000**	**%**
Upstream				
Sale of goods				
• External parties				
- Palm oil products	2,722,178	2,198,186	(523,992)	(19.2)
- Rubber	59,758	55,090	(4,668)	(7.8)
- Sugar	46,493	150,472	103,979	223.6
- Beef	9,964	34,111	24,147	242.3
• Intersegment sales				
- Palm oil products	3,238,695	4,150,787	912,092	28.2
Other income from external parties				
- Performance of services	42,891	51,187	8,296	19.3
- Dividend income	2,900	1,160	(1,740)	(60.0)
	6,122,879	6,640,993	518,114	8.5
Less: intersegment sales	(3,238,695)	(4,150,787)	(912,092)	(28.2)
	2,884,184	2,490,206	(393,978)	(13.7)
Downstream				
Sale of goods				
• External parties				
- Refined edible oils and fats	7,112,498	9,121,918	2,009,420	28.3
- Biodiesel	164,051	159,431	(4,620)	(2.8)
• Intersegment sales				
- Refined edible oils and fats	6,913	19,023	12,110	175.2
Other income from external parties				
- Performance of services	78,436	108,175	29,739	37.9
	7,361,898	9,408,547	2,046,649	27.8
Less: intersegment sales	(6,913)	(19,023)	(12,110)	(175.2)
	7,354,985	9,389,524	2,034,539	27.7
Other operations				
Sale of goods				
• External parties				
- Agricultural products	35,032	43,510	8,478	24.2
- Seeds and seedling	26,189	20,000	(6,189)	(23.6)
• Intersegment sales				
-Agricultural products	137,565	130,078	(7,487)	(5.4)
- Seeds and seedling	9,665	9,717	52	0.5

	FYE 30 June		Variance	
	2015	**2016**		
	RM'000	**RM'000**	**RM'000**	**%**
Other income				
• External parties				
- Performance of services	3,005	2,901	(104)	(3.5)
- Dividend income	646	323	(323)	(50.0)
• Intersegment income				
- Performance of services	121,269	137,821	16,553	13.6
	333,371	344,350	10,979	3.3
Less: intersegment sales	(268,499)	(277,616)	(9,117)	(3.4)
	64,872	66,734	1,862	2.9
Total revenue	**10,304,041**	**11,946,464**	**1,642,423**	**15.9**
Operating expenses				
Upstream				
FFB purchase costs	516,100	635,153	119,053	23.1
Plantation operating costs	2,872,255	3,278,025	405,770	14.1
Depreciation and amortisation	696,342	1,017,637	321,295	46.1
Selling and marketing	178,242	212,731	34,489	19.3
Other expenses	580,497	658,962	78,465	13.5
	4,843,436	5,802,508	959,072	19.8
Intersegment purchases	266,209	289,082	22,873	8.6
	5,109,645	6,091,590	981,945	19.2
Downstream				
Edible oil and consumables	3,251,376	4,159,663	908,287	27.9
Depreciation and amortisation	85,105	92,006	6,901	8.1
Transportation	140,354	205,396	65,042	46.3
Other expenses	568,404	573,624	5,220	0.9
	4,045,239	5,030,689	985,450	24.4
Intersegment purchases	3,247,145	4,157,031	909,886	28.0
	7,292,384	9,187,720	1,895,336	26.0
Other operations				
R&D	106,441	120,494	14,053	13.2
Depreciation and amortisation	16,557	14,813	(1,744)	(10.5)
Other expenses	173,581	162,407	(11,174)	(6.4)
	296,579	297,714	1,135	0.4
Intersegment expenses	753	1,313	560	74.4
	297,332	299,027	1,695	0.6
Less: intersegment purchases and expenses	(3,514,107)	(4,447,426)	(933,319)	(26.6)
Total operating expenses	**9,185,254**	**11,130,911**	**1,945,657**	**21.2**
Other operating income	333,144	331,102	(2,042)	(0.6)
Other gains and losses	118,986	121,303	2,317	1.9
Operating profit	**1,570,917**	**1,267,958**	**(302,959)**	**(19.3)**

	FYE 30 June		Variance	
	2015	**2016**		
	RM'000	**RM'000**	**RM'000**	**%**
Share of results of joint ventures	(33,774)	(1,883)	31,891	94.4
Share of results of associates	457	(6,706)	(7,163)	(1,567.4)
PBIT	**1,537,600**	**1,259,369**	**(278,231)**	**(18.1)**
Finance income	85,517	43,763	(41,754)	(48.8)
Finance costs	(307,194)	(464,093)	(156,899)	(51.1)
PBT	**1,315,923**	**839,039**	**(476,884)**	**(36.2)**
Tax (expense)/credit	(284,477)	163,896	448,373	157.6
Profit for the financial year	**1,031,446**	**1,002,935**	**(28,511)**	**(2.8)**

(a) Revenue

Our net revenue increased by about 15.9% to about RM11,946 million in the FYE 30 June 2016 compared to about RM10,304 million in the previous financial year. The increase was primarily due to the increase in sales of our refined edible oils and fats (i.e. our downstream operations), sugar and beef, mainly as a result of the full year consolidation of NBPOL Group's financial result with our Group's financial results.

We completed the acquisition of NBPOL in March 2015, adding about 135,000 Ha of land to our landbank and expanding our geographical coverage to PNG and the Solomon Islands. With the acquisition of NBPOL, we also expanded our business activities into processing and sales of sugarcane and cattle rearing and beef production.

Upstream

Our Group's revenue generated from the upstream operations are derived from sales of palm oil products, rubber, sugar and beef. In the FYE 30 June 2016, the gross revenue from our upstream operations increased by about RM518 million, representing an increase of about 8.5% compared to the previous financial year. The increase was mainly due to higher sales of palm oil products to our Group's downstream operations as well as higher sales of sugar and beef to external customers.

However, after eliminating the sales of palm oil products to our Group's downstream operations, we recorded a lower net revenue from our upstream operation of about RM2,490 million, a 13.7% lower than the previous financial year of about RM2,884 million.

Palm oil products

The table below sets out our FFB production, yield and processed, mill production, as well as the average selling prices of CPO and PK for the FYE 30 June 2015 and FYE 30 June 2016:

	FYE 30 June		Variance	
	2015	**2016**		
FFB production (MT)				
- Malaysia	5,936,613	5,256,834	(679,779)	(11.5%)
- Indonesia	3,050,823	2,745,212	(305,611)	(10.0%)
- PNG and the Solomon Islands	650,113[(1)]	1,615,794	965,681	148.5%
- Liberia	-	2,665	2,665	100.0%
Total	**9,637,549**	**9,620,505**	**(17,044)**	**(0.2%)**
FFB yield per mature Ha (MT)				
- Malaysia	22.3	20.3	(2.0)	(9.0%)
- Indonesia	16.8	15.5	(1.3)	(7.7%)
- PNG and the Solomon Islands	8.8[(1)]	21.9	13.1	148.9%
- Liberia	-	1.7	1.7	100%
Overall	**20.4**	**18.8**	**(1.57)**	**(7.7%)**
FFB processed (MT)				
Own	9,630,163	9,607,796	(22,367)	(0.2%)
Third parties	1,222,207	1,547,712	325,505	26.6%
Total	**10,852,370**	**11,155,508**	**303,138**	**2.8%**
Mill production (MT)				
CPO	2,355,647	2,442,418	86,771	3.7%
PK	547,005	568,230	21,225	3.9%
Total	**2,902,652**	**3,010,648**	**107,996**	**3.7%**
Average selling prices (RM per MT)				
- CPO	2,193	2,242	49	2.2%
- PK	1,382	1,581	199	14.4%

Note:

(1) Represents only 4 months of FFB production as we acquired NBPOL in March 2015.

In the FYE 30 June 2016, the Super El Nino phenomenon, which brought extreme and prolonged dry weather in most parts of Peninsular Malaysia, Sabah and South Kalimantan, affected the FFB yield of our oil palm. We recorded lower average FFB yield per mature Ha for the crop production in our Malaysian operations of 20.3 MT and Indonesian operations of 15.5 MT, representing a decrease of about 9.0% and 7.7%, respectively, from the previous financial year.

However, the effects of the Super El Nino phenomenon on our overall FFB production was partly mitigated by the crop production in our PNG and the Solomon Islands operations, as we were able to consolidate the full year performance of NBPOL Group in the same year (despite PNG also being affected by the Super El Nino phenomenon).

We also purchased more FFB from smallholders in PNG and the Solomon Islands in the FYE 30 June 2016, arising from our first full year consolidation of NBPOL Group's financial results. As such, our mill production increased from about 2.9 million MT to about 3.0 million MT during the same year.

The weak production and low inventories as a result of the Super El Nino phenomenon, increased the average selling prices of CPO and PK in the FYE 30 June 2016, but were capped, due to high soybean supplies in the United States and South America as well as low crude oil prices.

Based on the above, the gross sales of our palm oil products was higher in the FYE 30 June 2016, representing an increase of about 6.5% or RM388 million from about RM5,961 million in 2015 to about RM6,349 million in 2016. However, we sold more of our FFB produce to our refineries for production of refined edible oils and fats for further value adding in the same year, representing an increase of about 28.2%. This was because refinery margins were better as we focused on the production of higher margin, differentiated products, as opposed to Commoditised Products. The better refinery margin is evidenced by higher operating profit margin of about 2.3% from our downstream operations (from about 0.9% in 2015).

As a result of the higher sales to our downstream operations, our Group's net sales of palm oil products was lower in the FYE 30 June 2016, representing a decrease of about 19.2% or RM524 million from about RM2,722 million in 2015 to about RM2,198 million in 2016.

Sugar and beef

Our sales of sugar and beef increased by about RM104 million and RM24 million respectively in the FYE 30 June 2016, wholly attributable by the full year consolidation of NBPOL Group's financial results. Prior to our acquisition of NBPOL in March 2015, we did not sell any sugar and beef products.

Downstream

Our Group's revenue generated from the downstream operations are mainly derived from sales of refined edible oils and fats. In the FYE 30 June 2016, our Group's net revenue from the downstream operations increased by about RM2,035 million, representing an increase of about 27.7% compared to the previous financial year. The said increase is mainly due to the increase in sale of refined edible oils and fats to external customers of about RM2,009 million, representing an increase of about 28.3% in the same year.

In line with our Group's strategy to further add value to our supply chain, we processed more of our palm oil products from the upstream operations into refined edible oils and fats to improve the deteriorating overall margins for the financial year which was caused by the weaker FFB yield.

With the acquisition of NBPOL in March 2015, we were able to access new markets. Combined with the full year consolidation of NBPOL Group's financial result, the increase in sales of refined edible oils and fats was also due to the higher trading volume of our marketing arm, SD Futures Trading, as a result of increased sales to other countries such as India and the Middle East. Our trading volumes increased by about 40% to 1.2 million MT as compared to the previous financial year, comprising CPO and refined palm oil products.

We also recorded higher income from performance of services during the same year as a result of higher freight handling services charged to our customers. In line with our higher sales of edible oils and fats, we incurred higher freight charges, which were recovered from our customers.

Other operations

Our agricultural products were mainly sold to our upstream operations, and the fees earned from the provision of agricultural consultancy, pest control and laboratory testing services were from our upstream operations.

In the FYE 30 June 2016, our Group's net revenue generated from other operations was slightly higher than the previous financial year, representing an increase of about 2.9% to about RM67 million from about RM65 million in the previous financial year. This was due to the higher sales of agricultural products to external parties due to higher demand.

(b) Operating expenses

In the FYE 30 June 2016, we recorded higher net operating expenses of about RM11,131 million, an increase of about 21.2% from the previous financial year. The increase principally reflects the increase in the production of refined edible oils and fats at our downstream operations where the purchase of edible oil and consumables for such production was higher, coupled with higher plantation operating costs and depreciation and amortisation from our upstream operations.

Upstream

The operating expenses incurred from our upstream operations are mainly derived from FFB purchase costs, plantation operating costs as well as depreciation and amortisation. In the FYE 30 June 2016, our Group's gross operating expenses from the upstream operations increased by about RM982 million, representing an increase of about 19.2% compared to the previous financial year. The increase was mainly due to the increase in FFB purchase costs, plantation operating costs, depreciation and amortisation costs as well as selling and marketing expenses.

FFB purchase costs

We incurred an increase in FFB purchase costs of about RM119 million in the FYE 30 June 2016, representing an increase of about 23.1% compared to the previous financial year. This was mainly due to higher purchases of FFB from smallholders in PNG and the Solomon Islands, arising from our first full year consolidation of NBPOL Group's financial results with our Group's financial results. The FFB purchase costs attributable to NBPOL Group in the FYE 30 June 2015 and FYE 30 June 2016 was about RM68 million and RM189 million respectively.

Plantation operating costs

We incurred an increase in plantation operating costs of about RM406 million in the FYE 30 June 2016, representing an increase of about 14.1% compared to the previous financial year mainly due to our first full year consolidation of NBPOL Group's financial results with our Group's financial results. The plantation operating costs attributable to NBPOL Group in the FYE 30 June 2015 and FYE 30 June 2016 was about RM264 million and RM720 million respectively.

Furthermore, we incurred additional employees' benefits costs of about RM26 million in the FYE 30 June 2016 resulting from our additional payment of "Tunjangan Hari Raya", which is a statutory benefit paid to our employees in Indonesia for the "Hari Raya Aidilfitri" celebrations as well as an increase in our provision for employees' retirement benefit of about RM17 million as a result of the increase in the fair value of our obligations in Indonesia.

Depreciation and amortisation

We incurred an increase in depreciation and amortisation expenses of about RM321 million in the FYE 30 June 2016, representing an increase of about 46.1% compared to the previous financial year, mainly due to our first full year consolidation of NBPOL Group's financial results with our Group's financial results. The depreciation and amortisation costs attributable to NBPOL Group's upstream operations in the FYE 30 June 2015 and FYE 30 June 2016 was about RM133 million and RM465 million respectively.

Selling and marketing

We also incurred higher selling and marketing expenses of an increase of about RM34 million in the FYE 30 June 2016, representing an increase of about 19.3% compared to the previous financial year, mainly due to our first full year consolidation of NBPOL Group's financial results with our Group's financial results. The selling and marketing costs attributable to NBPOL Group in the FYE 30 June 2015 and FYE 30 June 2016 was about RM18 million and RM56 million respectively.

Intersegment purchases

The intersegment purchases from our upstream operations increased by about 8.6% in the FYE 30 June 2016 mainly due to the increase in R&D expenses and higher purchase of fertiliser incurred for our estates' manuring programme.

Downstream

The operating expenses incurred by our downstream operations are mainly derived from the purchase of palm oil products from our upstream operations, the purchase of edible oil and consumables, transportation costs as well as other expenses. In the FYE 30 June 2016, our Group's gross operating expenses from the downstream operations increased by about RM1,895 million, representing an increase of about 26.0% compared to the previous financial year. The increase was mainly due to an increase in the purchase of our upstream operation's palm oil products, the purchase of edible oil and consumables as well as transportation costs.

Edible oil and consumables

Our purchase of edible oil and consumables increased by about RM908 million in the FYE 30 June 2016, representing an increase of about 27.9% compared to the previous financial year, which is in line with our higher sales of refined edible oils and fats that increased by about 28.3%. The said increase is also due to increased purchase of external oil for resale in the FYE 30 June 2016 arising from the higher sales to India and the Middle East.

Transportation

Our transportation costs (including freight charges) increased by about RM65 million in the FYE 30 June 2016, representing an increase of about 46.3% compared to the previous financial year, as a result of our increase in sales of edible oils and fats. In addition, the 19% deterioration in average exchange rates of the RM against USD in FYE 30 June 2016 also contributed to the higher expenses for our Malaysian operations given that freight charges are mainly incurred in USD.

Intersegment purchases

Our intersegment purchases from our downstream operations mainly comprise purchases of CPO and PK from our upstream operations, which increased by about RM910 million in the FYE 30 June 2016, representing an increase of about 28.0% compared to the previous financial year. This is in line with our Group's strategy to further add value to our supply chain, whereby we processed more of our palm oil products from the upstream operations into differentiated, higher value and higher margin refined edible oils and fats.

Other operations

The operating expenses incurred from our other operations are mainly derived from R&D expenses as well as other expenses. In the FYE 30 June 2016, our Group's gross operating expenses from our other operations increased by about RM2 million, representing an increase of about 0.6% compared to the previous financial year. The increase was mainly due to the increase in our R&D expenses which was partially offset by the decrease in our other expenses.

R&D expenses

Our R&D expenses increased by about RM14 million in the FYE 30 June 2016, representing an increase of about 13.2% compared to the previous financial year. This increase was mainly due to higher expenses of about RM12 million incurred on our Genome Select oil palm project. Genome Select is a new oil palm breed which is developed through genome selection and prediction process. We expect the planting materials derived from Genome Select to be able to deliver oil yield improvements of up to 15% as compared to our current commercial offering, Calix 600.

Other expenses

Our other expenses decreased by about RM11 million in the FYE 30 June 2016, representing a decrease of about 6.4% compared to the previous financial year. This decrease was mainly due to our Group's disposal of 55% equity interest in a loss making subsidiary, Rizhao SD Oils & Fats.

(c) Other operating income

Our other operating income decreased by about RM2 million in the FYE 30 June 2016, representing a decrease of about 0.6% compared to the previous financial year. The decrease was mainly due to the lower gain on disposals of property, plant and equipment, which was partially offset by the gain on disposals of non-current assets held for sale, the write-back of allowance for irrecoverable tax credit of about RM32 million and increase in reversal of impairment of trade and other receivables of about RM20 million (as a result of our tighter credit management implemented on our customers (as further described in Section 12.2.4(iii) of this Prospectus) as well as recovery of amounts from smallholders in PNG and the Solomon Islands).

(d) Other gains and losses

Our gains and losses increased by about RM2 million in the FYE 30 June 2016, representing an increase of about 1.9% compared to the previous financial year. The increase was mainly due to the increase in the net fair value gain on forward foreign exchange contracts as a result of marking to market our foreign exchange forward contracts in compliance with MFRS 139, mainly on USD related foreign exchange contracts.

(e) Operating profit

Our operating profit decreased from about RM1,571 million to about RM1,268 million in the FYE 30 June 2016, representing a decrease of about 19.3%. Despite the increase in revenue of about RM1,642 million, or 15.9% higher as compared to the previous financial year (mainly due to the full year contributions from the NBPOL Group and higher sales of our refined edible oils and fats), the increase in revenue was outweighed by an increase in operating expenses of about 21.2%. The increase in operating expenses for the FYE 30 June 2016 was mainly due to (i) full year contributions from the NBPOL Group; (ii) higher purchase of edible oils and consumables due to higher sales of refined edible oils and fats; and (iii) higher transportation and freight costs due to the higher sales of refined edible oils and fats as well as deterioration of RM against USD. Consequently, our overall operating profit margin decreased from 15.2% to 10.6% in the FYE 30 June 2016.

The lower overall operating profit margin is mainly a result of lower FFB yield. However, this was partially offset by the improvement of the operating profit margin in our downstream operations due to higher sales of differentiated, higher value and higher margin products.

(f) Share of results of joint ventures

Our share of losses from joint ventures decreased by about RM32 million, or 94.4% in the FYE 30 June 2016. This was mainly due to the disposal of a loss making business by our joint venture, Emery Oleochemicals GmbH in Dusseldorf, Germany in the FYE 30 June 2016, which contributed to our share of gain on disposal of about RM21 million.

(g) Share of results of associates

Our share of losses from associates increased to about RM7 million in the FYE 30 June 2016, as compared to a profit of less than RM1 million in the FYE 30 June 2015 due to the recognition of losses incurred by our associate, Verdezyne, of which we invested in June 2014. Verdezyne is a new start-up company, which is involved in the production of chemicals from renewable non-food sources.

(h) PBIT

Our PBIT decreased from about RM1,538 million to about RM1,259 million in the FYE 30 June 2016, representing a decrease of about 18.1%. Our overall PBIT margin decreased from about 14.9% to 10.5% in the FYE 30 June 2016.

The overall decrease in our PBIT and PBIT margin is due to the abovementioned factors as well as our share of losses of our associates.

(i) Finance income

Our finance income decreased by about RM42 million, or 48.8% in the FYE 30 June 2016 in comparison to the previous financial year, mainly due to lower interest income of about RM28 million generated from deposits with banks, resulting from lower cash balances of our Group. Our total cash and bank balances and deposits as at 30 June 2016 was about RM636 million, representing about 42.3% lower than the total cash and bank balances and deposits held as at 30 June 2015. The decrease in our finance income was also due to the decrease of about RM15 million in the interest charged to customers in the FYE 30 June 2016 consequent from prompt payments by our customers as a result of our tighter credit management implemented on our customers (as further described in Section 12.2.4(iii) of this Prospectus).

(j) Finance costs

Our finance costs increased by about RM157 million, or 51.1% in the FYE 30 June 2016 in comparison to the previous financial year. The increase is mainly due to an additional drawdown of about RM3 billion of external borrowings and about RM3 billion of interest bearing advances from Sime Darby Holding Berhad, a wholly-owned subsidiary of SDB, our holding company prior to our Listing, to finance the acquisition of NBPOL in March 2015.

(k) PBT

Our PBT decreased from about RM1,316 million for the FYE 30 June 2015 to about RM839 million in the FYE 30 June 2016 mainly due to lower operating profits, higher share of losses from our associates, lower finance income and higher finance costs, as explained above.

(l) Tax credit/expense

Our net tax expense of about RM284 million in the FYE 30 June 2015 had decreased to a net tax credit of about RM164 million in the FYE 30 June 2016.

In the FYE 30 June 2016, the Ministry of Finance in Indonesia issued a new regulation on fixed assets revaluation under Peraturan Menteri Keuangan No. 191/PMK.010/2015 which gives tax incentives to Indonesian entities that conduct revaluation on certain classes of assets. Pursuant thereto, our Group revalued certain assets held by our Indonesian entities with an objective to benefit from the said tax incentives in the future. Consequent to the approval from the Indonesian tax authorities on our Group's tax revaluation of assets, our Group recognised a net tax credit of about RM348 million, comprising a total of about RM414 million in deferred tax credits (which our Group will benefit from the lower income tax expenses in the future as a result of high depreciation expenses, which is an allowable expense for tax deduction under the Indonesian tax-regime) offset by the tax paid to the Indonesian tax authorities on the revaluation surplus of about RM66 million.

(m) Profit for the financial year

As a result of the abovementioned factors, we achieved profit for the year of about RM1,003 million for the FYE 30 June 2016, as compared to the previous financial year of about RM1,031 million.

(ii) Review of performance for the FYE 30 June 2017 compared to FYE 30 June 2016

The following table summarises our consolidated statement of income information for the years indicated:

	FYE 30 June		Variance	
	2016	2017		
	RM'000	RM'000	RM'000	%
Upstream				
Sale of goods				
• External parties				
- Palm oil products	2,198,186	3,220,964	1,022,778	46.5
- Rubber	55,090	68,218	13,128	23.8
- Sugar	150,472	175,395	24,923	16.6
- Beef	34,111	37,565	3,454	10.1
• Intersegment sales				
- Palm oil products	4,150,787	5,298,216	1,147,429	27.6
Other income from external parties				
- Performance of services	51,187	136,064	84,877	165.8
- Dividend income	1,160	1,740	580	50.0
	6,640,993	8,938,162	2,297,169	34.6
Less: intersegment sales	(4,150,787)	(5,298,216)	(1,147,429)	(27.6)
	2,490,206	3,639,946	1,149,740	46.2
Downstream				
Sale of goods				
• External parties				
- Refined edible oils and fats	9,121,918	10,773,234	1,651,316	18.1
- Biodiesel	159,431	184,699	25,268	15.8
• Intersegment sales				
- Refined edible oils and fats	19,023	58,982	39,959	210.1

	FYE 30 June		Variance	
	2016	**2017**		
	RM'000	**RM'000**	**RM'000**	**%**
Other income from external parties				
- Performance of services	108,175	121,465	13,290	12.3
	9,408,547	11,138,380	1,729,833	18.4
Less: intersegment sales	(19,023)	(58,982)	(39,959)	(210.1)
	9,389,524	11,079,398	1,689,874	18.0
Other operations				
Sale of goods				
• External parties				
- Agricultural products	43,510	40,216	(3,294)	(7.6)
- Seeds and seedling	20,000	17,298	(2,702)	(13.5)
• Intersegment sales				
- Agricultural products	130,078	101,947	(28,131)	(21.6)
- Seeds and seedling	9,717	14,909	5,192	53.4
Other income				
• External parties				
- Performance of services	2,901	2,470	(431)	(14.9)
- Dividend income	323	53	(270)	(83.6)
• Intersegment income				
- Performance of services	137,821	125,198	(12,623)	(9.2)
	344,350	302,091	(42,259)	(12.3)
Less: intersegment sales	(277,616)	(242,054)	35,562	12.8
	66,734	60,037	(6,697)	(10.0)
Total revenue	**11,946,464**	**14,779,381**	**2,832,917**	**23.7**
Operating expenses				
Upstream				
FFB purchase costs	635,153	1,046,200	411,047	64.7
Plantation operating costs	3,278,025	3,482,355	204,330	6.2
Depreciation and amortisation	1,017,637	1,133,419	115,782	11.4
Selling and marketing	212,731	235,980	23,249	10.9
Other expenses	658,962	1,210,314	551,352	83.7
	5,802,508	7,108,268	1,305,760	22.5
Intersegment purchases	289,082	301,812	12,730	4.4
	6,091,590	7,410,080	1,318,490	21.6
Downstream				
Edible oil and consumables	4,159,663	4,733,037	573,374	13.8
Depreciation and amortisation	92,006	98,120	6,114	6.6
Transportation	205,396	243,531	38,135	18.6
Other expenses	573,624	536,018	(37,606)	(6.6)
	5,030,689	5,610,706	580,017	11.5
Intersegment purchases	4,157,031	5,294,971	1,137,940	27.4
	9,187,720	10,905,677	1,717,957	18.7

	FYE 30 June		Variance	
	2016	2017		
	RM'000	RM'000	RM'000	%
<u>Other operations</u>				
R&D	120,494	114,937	(5,557)	(4.6)
Depreciation and amortisation	14,813	15,133	320	2.2
Other expenses	162,407	141,979	(20,428)	(12.6)
	297,714	272,049	(25,665)	(8.6)
Intersegment expenses	1,313	2,469	1,156	88.0
	299,027	274,518	(24,509)	(8.2)
Less: intersegment purchases and expenses	(4,447,426)	(5,599,252)	(1,151,826)	(25.9)
Total operating expenses	**11,130,911**	**12,991,023**	**1,860,112**	**16.7**
Other operating income	331,102	2,671,005	2,339,903	706.7
Other gains and losses	121,303	78,507	(42,796)	(35.3)
Operating profit	**1,267,958**	**4,537,870**	**3,269,912**	**257.9**
Share of results of joint ventures	(1,883)	(76,606)	(74,723)	3,968.3
Share of results of associates	(6,706)	(5,929)	777	11.6
PBIT	**1,259,369**	**4,455,335**	**3,195,966**	**253.8**
Finance income	43,763	47,486	3,723	8.5
Finance costs	(464,093)	(471,858)	(7,765)	(1.7)
PBT	**839,039**	**4,030,963**	**3,191,924**	**380.4**
Tax credit/(expense)	163,896	(479,053)	(642,949)	(392.3)
Profit for the financial year	**1,002,935**	**3,551,910**	**2,548,975**	**254.2**

(a) Revenue

Our net revenue increased by about 23.7% to about RM14,779 million in the FYE 30 June 2017 compared to about RM11,946 million in the previous financial year. The increase was primarily due to the increase in the sales of our palm oil products (i.e. our upstream operations) and our refined edible oils and fats (i.e. our downstream operations).

Upstream

In the FYE 30 June 2017, the gross revenue from our upstream operations increased by about RM2,297 million, representing an increase of about 34.6% compared to the previous financial year. The increase was mainly due to higher sales of palm oil products, rubber and sugar, as well as higher performance of services.

After eliminating the sales of palm oil products to our Group's downstream and other operations, we also recorded a higher net revenue from our upstream operation of about RM3,640 million, a 46.2% higher than the previous financial year of about RM2,490 million.

Palm oil products

The table below sets out our FFB production, yield and processed, mill production, as well as the average selling prices of CPO and PK for the FYE 30 June 2016 and FYE 30 June 2017:

	FYE 30 June		Variance	
	2016	**2017**		
FFB production (MT)				
- Malaysia	5,256,834	5,293,071	36,237	0.7%
- Indonesia	2,745,212	2,671,576	(73,636)	(2.7%)
- PNG and the Solomon Islands	1,615,794	1,792,361	176,567	10.9%
- Liberia	2,665	27,038	24,373	914.6%
Total	**9,620,505**	**9,784,046**	**163,541**	**1.7%**
FFB yield per mature Ha (MT)				
- Malaysia	20.3	20.8	0.5	2.5%
- Indonesia	15.5	16.0	0.5	3.2%
- PNG and the Solomon Islands	21.9	23.9	2.0	9.1%
- Liberia	1.7	4.0	2.3	135.3%
Overall	**18.8**	**19.4**	**0.6**	**3.2%**
FFB processed (MT)				
Own	9,607,796	9,781,582	173,786	1.8%
Third parties	1,547,712	1,857,466	309,754	20.0%
Total	**11,155,508**	**11,639,048**	**483,540**	**4.3%**
Mill production (MT)				
CPO	2,442,418	2,477,982	35,564	1.5%
PK	568,230	584,159	15,929	2.8%
Total	**3,010,648**	**3,062,141**	**51,493**	**1.7%**
Average selling prices (RM per MT)				
- CPO	2,242	2,848	606	27.0%
- PK	1,581	2,469	888	56.2%

In the FYE 30 June 2017, we were gradually recovering from the effects of the Super El Nino phenomenon which affected our overall FFB production and our performance in the FYE 30 June 2016. The increase in our FFB production in Liberia by about 914.6% was due to larger areas of oil palm trees in Liberia that reached maturity during the FYE 30 June 2017 of 9,305 Ha as compared to the previous financial year of 1,567 Ha.

However, our FFB production in Indonesia was 2.7% lower than the previous financial year due to the reduction in mature areas as more planted areas were cut down in conjunction with our planned accelerated replanting programme.

Due to higher overall FFB production, higher purchases of FFB from third parties and higher selling prices of CPO and PK, the gross sales of our palm oil products was higher in the FYE 30 June 2017, representing an increase of about 34.2% or about RM2,170 million from about RM6,349 million in the FYE 30 June 2016 to about RM8,519 million in the FYE 30 June 2017. We also sold more of our CPO and PK to our refineries for production of refined edible oils and fats for further value adding in the same year, representing an increase of about 27.6%.

Rubber

Our sales of rubber products increased by about RM13 million in the FYE 30 June 2017, representing an increase of about 23.8% as compared to the previous financial year, mainly due to the increase in the average selling prices of our rubber products from RM6.49 per kilogram to RM8.66 per kilogram in FYE 30 June 2017, which is in line with the market price trends.

Sugar

Our sales of sugar increased by about RM25 million in the FYE 30 June 2017, representing an increase of about 16.6% mainly due to our higher sales volumes which had increased by 10.0% from about 36.0 MT to about 39.6 MT as a result of an increase in demand in the FYE 30 June 2017.

Performance of services

Our revenue generated from performance of services increased by about RM85 million in the FYE 30 June 2017 mainly due to the higher lease income received from coal mining companies of about RM71 million in the FYE 30 June 2017 as compared to about RM6 million in the FYE 30 June 2016, as a result of an increase in the areas leased to these coal mining companies.

Downstream

In the FYE 30 June 2017, our Group's net revenue from the downstream operations increased by about RM1,690 million, representing an increase of about 18.0% compared to the previous financial year. The said increase is mainly due to the increase in sale of refined edible oils and fats to external customers of about RM1,651 million, representing an increase of about 18.1% in the same year.

The increase in our sales of refined edible oils and fats is mainly due to the higher average market prices of palm products while the demand for our products remained steady. Prices of refined palm oil products typically mirrors the fluctuation of CPO prices. The severe El Nino phenomenon disrupted the supply of CPO in Malaysia in 2016 causing volatility in the market prices as the global demand for CPO exceeds the supply.

Other operations

In the FYE 30 June 2017, our Group's net revenue generated from other operations decreased by about 10.0% to about RM60 million from about RM67 million in the previous financial year. This was due to the lower sales of fertiliser, as well as seeds and seedling to external customers in the first half of the FYE 30 June 2017 partly as a result of a slowdown on our customers' replanting programmes.

(b) Operating expenses

In the FYE 30 June 2017, we recorded higher operating expenses of about RM12,991 million, an increase of about 16.7% compared to the previous financial year. The increase is mainly due to increased expenses from our upstream operations as well as an increase in edibles and consumables expenses from our downstream operations.

Upstream

In the FYE 30 June 2017, our Group's gross operating expenses from the upstream operations increased by about RM1,318 million, representing an increase of about 21.6% compared to the previous financial year. The increase was mainly due to the increase in FFB purchase costs, plantation operating costs, depreciation and amortisation as well as other expenses.

FFB purchase costs

We incurred an increase in FFB purchase costs of about RM411 million in the FYE 30 June 2017, representing an increase of about 64.7% compared to the previous financial year. This was mainly due to higher FFB purchase prices as well as higher volume of FFB purchased from external estates. The average FFB purchase costs, which moved in tandem with CPO prices, increased by 37% to RM563 per MT. Our total FFB purchase volume increased by 20% to about 1.8 million MT. This is in line with our Group's strategic direction to increase the efficiency of our mill operations.

Plantation operating costs

We incurred an increase in plantation operating costs of about RM204 million in the FYE 30 June 2017, representing an increase of about 6.2% compared to the previous financial year, mainly due to an increase in our manuring expenses of about RM97 million as we have completed our manuring programmes after our plantation lands had been affected by the adverse weather condition at the end of FYE 30 June 2016.

Furthermore, our higher FFB productions had resulted in higher operating expenses incurred of about RM59 million for the collection of fruits from around our estates as well as to transport the fruits to our mills. Our labour costs at the estates had also increased by about RM39 million, partly contributed by the higher FFB production and CPO selling prices.

Depreciation and amortisation

We incurred an increase in depreciation and amortisation expenses of about RM116 million in the FYE 30 June 2017, representing an increase of about 11.4% compared to the previous financial year, mainly due to the increase in oil palm areas that were selected for our accelerated replanting programme in Malaysia and Indonesia, resulting in shorter useful lives and higher depreciation charges of these oil palm areas.

Other expenses

We incurred an increase in other expenses of about RM551 million in the FYE 30 June 2017, representing an increase of about 83.7% compared to the previous financial year, mainly due to an impairment charge of about RM202 million incurred as a result of our Group's assessment on the recoverable amount of our investments in Liberia based on the valuations conducted by an independent valuer. The impairment charge of about RM202 million represents the shortfall between the NBV of our property, plant and equipment in Liberia and the fair market value of the assets, as evaluated by the independent valuer.

Furthermore, the increase in other expenses was also attributable to the increase in bonuses to our employees of about RM108 million, which is in line with our improved financial performance in the FYE 30 June 2017.

Other factors that contribute to the increase in other expenses include:

- the increase in legal and professional fees of about RM37 million in the FYE 30 June 2017, mainly arising from expenses related to our Listing, due diligence projects as well as tax and plantation advisory services;

- the increase in write-off of our related property, plant and equipment of about RM32 million in the FYE 30 June 2017 as a result of our accelerated replanting programme in Malaysia and Indonesia as discussed earlier;

- the write-off of nursery seedlings of about RM12 million in the FYE 30 June 2017 due to the over-age of the seedlings which are no longer suitable for replanting;

- the increase in quit rent and assessment of about RM11 million in the FYE 30 June 2017 that were not accounted for in prior years due to the dispute with the local authorities for the relevant lands; and

- the increase in management fees charged by SDHB of about RM10 million in the FYE 30 June 2017 due to the increase in management services provided by SDHB to our Group.

In addition, in the FYE 30 June 2017, the capitalisation of overhead expenses to oil palm planting costs in Liberia was lower by about RM38 million as compared to the FYE 30 June 2016, as the planted areas in Liberia have reached its maturity in 2017.

Downstream

In the FYE 30 June 2017, our Group's gross operating expenses from the downstream operations increased by about RM1,718 million, representing an increase of about 18.7% compared to the previous financial year. The increase was mainly due to an increase in the purchase of our upstream operation's palm oil products, the purchase of edible oil and consumables as well as transportation costs, which are in line with our sales generated from our downstream operations.

Edible oil and consumables

Our purchase of edible oil and consumables increased by about RM573 million in the FYE 30 June 2017, representing an increase of about 13.8% compared to the previous financial year. The said increase is due to the increase in purchase prices of feedstock, namely CPO, PK and CPKO while our purchase volume for edible oil and consumables remained steady.

Transportation

Our transportation costs (including freight charges) increased by about RM38 million in the FYE 30 June 2017, representing an increase of about 18.6% compared to the previous financial year, as a result of our increase in sales of edible oils and fats. In addition, the 4% deterioration in average exchange rates of RM against the USD in the FYE 30 June 2017 also contributed to the higher expenses for our Malaysian operations given that freight charges are mainly denominated in USD.

Intersegment purchases

Our intersegment purchases from our downstream operations mainly comprise purchases of CPO and PK from our upstream operations, which increased by about RM1,137 million in the FYE 30 June 2017, representing an increase of about 27.4% compared to the previous financial year. This is mainly due to the increased CPO and PK prices, which had increased by about 27.0% and 56.2% respectively.

Other operations

In the FYE 30 June 2017, our Group's gross operating expenses from our other operations decreased by about RM25 million, representing a decrease of about 8.2% compared to the previous financial year. The decrease was mainly due to the decrease in our other expenses.

Our other expenses decreased by about RM20 million in the FYE 30 June 2017, representing a decrease of about 12.6% compared to the previous financial year. This decrease was mainly due to lower purchases of agricultural products namely fertilisers due to the lower demand from our estates in the first half of the financial year.

(c) Other operating income

Our other operating income increased by about RM2,340 million in the FYE 30 June 2017, representing an increase of about 706.7% compared to the previous financial year. The increase was mainly due to an increase in the gain on disposal of property, plant and equipment by about RM2,558 million, which is mainly attributable to the gain recognised on the sale of the Malaysia Vision Valley land to KSDB of about RM2,469 million ("**Gain on Disposal**").

(d) Other gains and losses

Our other gains and losses decreased by about RM43 million in the FYE 30 June 2017, representing a decrease of about 35.3% compared to the previous financial year. The decrease was mainly due to the lower net foreign exchange gain of about RM32 million in the FYE 30 June 2017 as compared to about RM102 million in the FYE 30 June 2016.

(e) Operating profit

Our operating profit increased by about RM3,270 million to about RM4,538 million in the FYE 30 June 2017, representing an increase of about 257.9% due to the higher revenue and gain from the Gain on Disposal, as further described above. Our overall operating profit margin improved from about 10.6% to about 30.7% in the FYE 30 June 2017. Excluding the Gain on Disposal, we recorded an improved operating profits margin of about 14.0% in the FYE 30 June 2017, mainly due to the higher selling prices of palm products as well as improvement of our overall FFB yield per mature Ha as a result of our recovery from the effects of the Super El Nino phenomenon.

(f) Share of results of joint ventures

Our share of losses from joint ventures increased by about RM75 million to about RM77 million in the FYE 30 June 2017. This was mainly due to our share of impairment charge on Emery Oleochemical group's fatty alcohol and related assets in Selangor of about RM39 million, as it has been incurring losses. Furthermore, the increase in our share of losses from joint ventures was also attributable to Guangzhou Keylink Chemical Co Ltd of about RM7 million as a result of a write-off of its deferred tax assets.

(g) Share of results of associates

Our share of losses from associates decreased to about RM6 million in the FYE 30 June 2017, as compared to losses of about RM7 million in the FYE 30 June 2016 arising from the increase in our share of profits from Muang Mai Guthrie Public Company Ltd as the company's financial performance has improved due to the higher rubber market prices during the year.

(h) PBIT

Our PBIT increased from about RM1,259 million to about RM4,455 million in the FYE 30 June 2017, representing an increase of about 253.8%. Our overall PBIT margin increased from about 10.5% to 30.1% in the FYE 30 June 2017. The overall increase in our PBIT and PBIT margin is mainly due to the higher revenue, improvement of our overall FFB yield per mature Ha and the Gain on Disposal. Excluding the Gain on Disposal, we still recorded an improved PBIT margin of about 13.4% in the FYE 30 June 2017.

(i) Finance income

Our finance income increased by about RM4 million, or 8.5% in the FYE 30 June 2017 in comparison to the previous financial year, mainly due to the higher interest income generated from deposits with banks, resulting from higher cash balances of our Group. Our total cash and bank balances and deposits as at 30 June 2017 was about RM713 million, representing about 12.1% increase compared to the total cash and bank balances and deposits held as at 30 June 2016.

(j) Finance costs

Our finance costs increased by about RM8 million, or 1.7% in the FYE 30 June 2017 in comparison to the previous financial year. The increase is mainly due to the 4% deterioration in average exchange rates of RM against the USD in the FYE 30 June 2017, which resulted in higher interests incurred on our USD denominated loans. In May 2017, the USD1.5 billion multi-currency sukuk was also novated to our Company from SDB as part of the Pre-Listing Restructuring.

(k) PBT

Our PBT increased from about RM839 million in the FYE 30 June 2016 to about RM4,031 million in the FYE 30 June 2017 mainly due to higher operating profits and higher finance income, as explained above.

(l) Tax credit/expense

We recorded a net tax expense of about RM479 million in the FYE 30 June 2017 as opposed to a net tax credit of about RM164 million in the FYE 30 June 2016. This was mainly due to the higher taxable income as a result of our improved financial performance for the FYE 30 June 2017 and lower net tax credits arising from the tax revaluation in Indonesia recognised in the FYE 30 June 2017 of RM69 million as compared to RM348 million recognised in the previous financial year.

(m) Profit for the financial year

As a result of the abovementioned factors, we achieved profit for the year of about RM3,552 million for the FYE 30 June 2017, as compared to the previous financial year of about RM1,003 million.

12.2.6 Liquidity and capital resources

(i) Working capital

Our principal sources of liquidity are cash generated from our operations and external sources of funds including loans from financial institutions. Following the Listing, we expect to use the same principal sources of liquidity to fund our day-to-day working capital needs. Our ability to rely on these sources of funding could be affected by our results of operations and financial position and by the conditions in the Malaysian and international financial markets.

As at 30 June 2017, we had cash and cash equivalents of about RM713 million, which consisted of cash and bank balances of about RM546 million, as well as deposits with financial institutions of about RM167 million. As at 30 June 2017, our Group has banking facilities amounting to about RM16,217 million, of which about RM7,774 million (including interest) has been utilised. As at 30 June 2017, our total borrowings (including interest-bearing borrowings of RM1,292 million from Sime Darby Holdings Berhad ("**SDHB**"), a wholly-owned subsidiary of SDB, our holding company prior to our Listing, and finance lease obligations) of about RM9,083 million translates to a gearing of about 0.7 times.

Our working capital, calculated as current assets minus current liabilities, was about RM467 million as at 30 June 2017, which represents a current ratio of about 1.1 times. After the Pre-Listing Restructuring and taking into consideration our funding requirements for our committed capital expenditure, expected funds to be generated from cash flows from operations, as well as our existing level of cash and cash equivalents and credit sources, our Board is of the opinion that we will have adequate working capital for at least 12 months from the date of this Prospectus.

(ii) Cash flows

The following table sets out the summary of our Group's cash flows for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017:

	FYE 30 June		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Net cash generated from operating activities	1,972,970	1,796,943	3,292,057
Net cash used in investing activities	(6,791,576)	(1,135,033)	(1,577,647)
Net cash generated from/(used in) financing activities	4,626,439	(1,190,117)	(1,673,364)
Net (decrease)/increase in cash and cash equivalents during the financial year	**(192,167)**	**(528,207)**	**41,046**
Foreign exchange differences	105,272	62,132	36,062
Cash and cash equivalents at the beginning of the year	1,189,310	1,102,415	636,340
Cash and cash equivalents at the end of the financial year	**1,102,415**	**636,340**	**713,448**

Our Board is of the opinion that there are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, loans or advances to meet our cash obligations, subject to availability of distributable reserves and/or loans or advances and compliance with legal requirements, financial covenants and shareholders' agreements.

(a) Net cash generated from operating activities

Our Group generated net cash from operating activities of about RM1,973 million in the FYE 30 June 2015 mainly due to cash generated from operations of about RM2,063 million and changes in working capital requirements of about RM328 million arising from the following:

- about RM364 million increase in trade and other payables primarily due to the increase in our cost of sales as a result of higher purchases of CPO, edible oils and consumables for our upstream and downstream operations; and

- about RM225 million decrease in intercompany receivables, primarily due to repayment made from SDHB, which were partially offset by:

- about RM103 million increase in inventories primarily due to the higher FFB production in June 2015 in comparison with June 2014 as a result of the change in monthly trend in 2015 arising from the El Nino phenomenon; and

- about RM158 million increase in trade and other receivables primarily due to higher CPO sales volume in the month of June 2015 as compared to the corresponding period in the previous financial year as a result of the slight improvement in the FFB production at the end of the FYE 30 June 2015, as well as the receivables from NBPOL that was acquired in March 2015.

In the FYE 30 June 2015, we also paid income tax and retirement benefits to our employees of about RM411 million and RM6 million respectively.

In the FYE 30 June 2016, our Group generated net cash from operating activities of about RM1,797 million. The cash generated from operations of about RM2,192 million was offset by changes in working capital requirements of about RM144 million, arising from the following factors:

- about RM108 million increase in inventories primarily due the higher stock held for delivery of CPO and PKO from our subsidiaries in PNG to Europe, and delays in application of fertilisers which are held as inventories due to the adverse weather conditions. In 2016, we introduced a strategy to accumulate and maximise the use of sustainable feedstock (such as CPO, CPKO and stearin) produced from our own mills and KCP for use at our refineries in Liverpool and the Netherlands, rather than selling such feedstock to external parties; and

- about RM204 million decrease in trade and other payables primarily due to lower purchases of trading stocks and freight services by our marketing arm, SD Futures Trading in the month of June 2016 due to lower sales and deliveries as compared to June 2015,

which were partially offset by:

- about RM54 million decrease in trade and other receivables primarily due to prompt payment from our customers consequent to the cost reduction programme initiated in 2016 which had included credit management to better manage our working capital and mitigate the effects of low CPO prices; and

- about RM113 million lower intercompany receivables, mainly due to settlement of the outstanding amount of RM206.6 million due from Sime Darby Elmina Development Sdn Bhd, a subsidiary of SD Property during the FYE 30 June 2016, for the sale of parcels of plantation land in (a) Mukim Bukit Raja, District of Petaling, (b) Mukim Kapar, District of Klang and (c) Mukim Sg. Buloh, District of Petaling, all in the State of Selangor measuring in total of about 1,583 acres ("**Elmina Land**"), for a total cash consideration of about RM222 million.

In the FYE 30 June 2016, we also paid income tax and retirement benefits to our employees of about RM244 million and RM7 million respectively.

In the FYE 30 June 2017, our Group generated net cash from operating activities of about RM3,292 million. The cash generated from operations of about RM3,456 million was enhanced by changes in working capital requirements of about RM477 million, arising from the following factors:

- about RM109 million decrease in inventories primarily due to our improved controls over our stock levels and lower goods-in-transit towards the end of the FYE 30 June 2017 as compared to the corresponding period in the previous financial year;

- about RM187 million increase in trade and other payables primarily due to higher purchases towards the end of the FYE 30 June 2017 as compared to the corresponding period in the previous financial year a result of higher purchases of CPO, edible oils and consumables to support the higher sales at the end of the financial year;

- about RM120 million decrease in trade and other receivables primarily due to tighter credit management implemented on our customers, resulting in prompt payment from our customers; and

- about RM62 million increase in intercompany balances, mainly due to higher purchases of equipment, spare parts and services from fellow subsidiaries of SDB as well as charges by fellow subsidiaries of SDB for information technology, accounting and human resources services.

In the FYE 30 June 2017, we also paid income tax and retirement benefits to our employees of about RM623 million and RM19 million respectively.

(b) Net cash used in investing activities

Our Group's net cash used for investing activities of about RM6,792 million in the FYE 30 June 2015 mainly comprised the following:

- the acquisition of a new subsidiary, NBPOL, by our Group amounting to about RM5,998 million;

- the costs of planting and replanting oil palm and rubber of about RM604 million, which such costs are classified as property, plant and equipment;

- purchase of plant and machinery, motor vehicles and other assets as well as costs of constructing buildings, infrastructures and amenities amounted to about RM505 million in total;

- purchase of intangible assets of about RM49 million, mainly comprised computer software for accounting and operations use at estates, mills, refineries and R&D units of about RM7 million and capitalised agricultural development expenses for Genome project of about RM41 million; and

- investment in associate, namely Verdezyne of about RM33 million.

The cash outflows above were partially funded by the proceeds from:

- the sale of the Elmina Land to Sime Darby Elmina Development Sdn Bhd, a subsidiary of SD Property, which in turn is a subsidiary of SDB, our holding company prior to our Listing, for about RM222 million in total;

- the disposal of property, plant and machinery (including the sale of 2 parcels of land to an external party and compensation received from 7 state governments in Malaysia, namely the state governments of Johor, Negeri Sembilan, Melaka, Selangor, Perak, Kedah and Sarawak, for acquisition of land) amounting to about RM110 million in total;

- finance income received of about RM67 million; and

- sale of our Group's 55% equity interest in Rizhao SD Oils & Fats, amounting to about RM47 million.

Our Group's net cash used for investing activities of about RM1,135 million in the FYE 30 June 2016 mainly comprised the following:

- the costs of planting and replanting oil palm and rubber of about RM856 million, which such costs are classified as property, plant and equipment;

- purchase of plant and machinery, motor vehicles and other assets as well as costs of constructing buildings, infrastructures and amenities amounted to about RM441 million in total;

- purchase of intangible assets of about RM38 million comprised computer software for accounting and operations use of about RM4 million and capitalised agricultural development expenses of about RM34 million;

- investment in associate, namely Verdezyne of about RM34 million; and

- advances made to plasma farmers for the development of plasma plantation in Indonesia of about RM23 million.

The cash outflows above were partially funded by the proceeds from:

- the sale of a parcel of plantation land (under non-current asset held for sale) to SD Property, a subsidiary of SDB, our holding company prior to our Listing, for about RM216 million;

- the disposal of property, plant and machinery (including the sale of 5 parcels of land to external parties and compensation received from 5 state governments in Malaysia, namely the state governments of Perak, Negeri Sembilan, Johor, Pahang and Sabah for acquisition of land) amounting to a total of about RM33 million; and

- finance income received of about RM24 million.

Our Group's net cash used for investing activities of about RM1,578 million in the FYE 30 June 2017 mainly comprised the following:

- the costs of planting and replanting oil palm and rubber of about RM949 million, which such costs are classified as property, plant and equipment;

- purchase of plant and machinery, motor vehicles and other assets as well as costs of constructing buildings, infrastructures and amenities of about RM625 million in total;

- acquisition of a business, being 2 parcels of oil palm estates and an oil palm mill in Johor for a total purchase price of about RM107 million;

- subscription of convertible notes of Verdezyne, our associate, of about RM48 million; and

- purchase of intangible assets of about RM35 million mainly comprised software for accounting and operations use of about RM21 million and capitalised agricultural development expenses of about RM11 million.

The cash outflows above were partially funded by the proceeds from:

- the disposal of property, plant and machinery (including the sale of 3 parcels of land to external parties and compensation received from 7 state governments in Malaysia, namely the state governments of Melaka, Perak, Johor, Selangor, Negeri Sembilan, Sarawak and Sabah for acquisition of land) amounting to a total of about RM155 million;

- finance income received of about RM26 million; and

- the proceeds from our sale of available-for-sale investments in quoted shares of about RM13 million.

Net cash generated from/used in financing activities

Our Group's net cash generated from financing activities of about RM4,626 million in the FYE 30 June 2015 mainly comprised the following:

- proceeds raised from external bank borrowings of about RM3,313 million; and

- receipt of advances from SDHB of about RM2,987 million.

The cash inflows above were partially offset by the following:

- dividends distributed by our Company to SDB, our holding company prior to our Listing, of RM600 million;

- repayment of bank borrowings and finance lease obligations of about RM399 million and RM6 million respectively;

- finance costs paid on borrowings of about RM352 million;

- repayment of advances of about RM253 million to SDB; and

- dividend paid to non-controlling interests of subsidiaries of about RM64 million, of which about RM63 million was paid by our subsidiaries in Indonesia and the balance of about RM1 million was paid by our subsidiaries in Malaysia.

Our Group's net cash used in financing activities of about RM1,190 million in the FYE 30 June 2016 mainly comprised the following:

- repayment of bank borrowings and finance lease obligations of about RM1,457 million and RM17 million respectively;

- dividends distributed by our Company to SDB, our holding company prior to our Listing, of RM700 million;

- repayment of advances to SDHB of about RM577 million;

- finance costs paid on borrowings of about RM543 million; and

- dividend paid to non-controlling interests of subsidiaries of about RM177 million, of which about RM176 million was paid by our subsidiaries in Indonesia and the balance was paid by our subsidiaries in Malaysia.

The cash outflows above were partially funded by the proceeds raised from external bank borrowings of about RM1,970 million and advances from SDB of RM390 million.

Our Group's net cash used in financing activities of about RM1,673 million in the FYE 30 June 2017 mainly comprised the following:

- repayment of bank borrowings and finance lease obligations of about RM5,418 million and RM76 million respectively;

- repayment of advances to SDB, our holding company prior to our Listing, and SDHB of about RM956 million and RM658 million respectively;

- dividends distributed by our Company to SDB, our holding company prior to our Listing, of RM900 million;

- finance costs paid on borrowings of about RM515 million; and

- dividend paid to non-controlling interests of subsidiaries of about RM60 million, of which about RM36 million was paid by our subsidiaries in Indonesia, about RM18 million was paid by our subsidiaries in Malaysia and the balance was paid by our subsidiary in the Solomon Islands.

The cash outflows above were partially funded by the proceeds raised from external bank borrowings of about RM6,513 million and advances from SDB of about RM396 million.

(iii) Borrowings

The following table sets out our Group's external borrowings, all of which are interest bearing, as at 30 June 2017:

	RM'000
Long-term borrowings	
Unsecured	
- term loans	3,851,142
- revolving credit	1,545,660
- bonds	489,717
- multi-currency sukuk	525,959
	6,412,478
Short-term borrowings	
Secured	
- trade facilities	38,978
Unsecured	
- term loans	503,609
- revolving credit	561,104
- multi-currency sukuk	221,758
	1,325,449
Total borrowings	**7,737,927**

As at 30 June 2017, the maturity profile on our Group's borrowings is as follows:

	Not later than 1 year	**Later than 1 year but not later than 2 years**	**Later than 2 years but not later than 5 years**	**More than 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Borrowings	1,325,449	684,998	4,690,524	1,036,956	7,737,927

The following table sets out the composition of our Group's borrowings by currency in which they are denominated as at 30 June 2017, and the average effective interest rates by currency profile of the respective principal amounts:

	Average effective interest rates (%)	**Balance in foreign currency(1)**	**RM'000(2)**
Term loans			
- RM	4.36	-	260,000
- USD	1.90 – 2.44	948,625	4,043,146
- THB	3.34	408,496	51,605
Revolving credit			
- USD	1.88 – 2.29	447,171	1,919,926
- IDR	7.10	352,002	113,380
- Euro	0.50	15,000	73,458
Multi-currency sukuk			
- USD	2.05 – 3.29	174,151	747,717
Bond			
- Euro	2.90	100,000	489,717
Trade facilities			
- Euro	0.45	7,959	38,978
Total borrowings			**7,737,927**

Notes:

(1) *Figures are in thousands, except for IDR which is in millions.*

(2) *Translated based on the respective exchange rates (middle rate) as at 30 June 2017.*

The following table sets out our Group's borrowings by fixed and floating interest rate terms, as at 30 June 2017:

	RM'000
Fixed rate	489,717
Floating rate, swapped to fixed	1,502,725
Floating rate	5,745,485
Total borrowings	**7,737,927**

We have not defaulted on payments of either interest or principal for any of our borrowings during the FYEs 30 June 2015, 30 June 2016 and 30 June 2017. We are not in breach of any terms and conditions or covenants associated with our credit arrangements or bank loans that can materially affect our financial position, results of business operations, or the investment by holders of our Shares.

(iv) Amounts owing to SDB

As at 30 June 2017, our Group has about RM145 million owing to SDB, our holding company prior to our Listing. The amounts were unsecured, repayable on demand and non-interest bearing. Such amounts owing to SDB were novated to SDHB, and were subsequently settled by our Company as detailed in item (v) below.

(v) Amounts owing to SDHB

As at 30 June 2017, our Group has about RM1,418 million owing to SDHB, a subsidiary of SDB, our holding company prior to our Listing, out of which RM1,292 million bears an interest of 4.25% - 4.91%, and the remaining RM126 million is non-interest bearing. All amounts owing are unsecured and repayable on demand. As part of the Pre-Listing Restructuring, the amounts owing to SDHB (including the amounts owing to SDB that were novated to SDHB as detailed in item (iv) above) of RM500 million was settled via the issuance of new Shares to SDB, being the holding company of SDHB, for a consideration of RM500 million, with the remaining being settled in cash.

(vi) Capital expenditures

The following table sets out our capital expenditures for the FYEs 30 June 2015, 30 June 2016 and 30 June 2017:

	FYE 30 June		
	2015	**2016**	**2017**
	(RM'000)	**(RM'000)**	**(RM'000)**
Freehold land	136	-	74
Leasehold land	5,393	5,321	2,910
Buildings	16,349	37,864	49,018
Bearer plants planting costs	603,639	856,276	940,066
Plant and machinery	45,304	70,390	100,170
Vehicles, equipment & fixtures	75,396	59,031	57,609
Capital work-in-progress	404,299	380,705	502,911
Intangible assets	50,280	40,947	38,826
Acquisition of a business	-	-	106,689
Acquisition of subsidiary	5,998,169	-	-
Investments in joint ventures	23,413	3,682	-
Investments in associates	33,105	34,054	-
Investments in unquoted shares	22,703	-	-
Total	**7,278,186**	**1,488,270**	**1,798,273**

The majority of our capital expenditures for the past 3 FYEs 30 June 2015, 2016 and 2017 were mainly in relation to bearer plants planting costs and capital work-in-progress, and for the FYE 30 June 2015, our capital expenditures also included the acquisition of NBPOL. Our capital work-in-progress comprised expenditures on building, plant and machinery and facilities which are under construction, of which will be reclassified to the respective asset categories when the said assets are ready for use.

Our actual capital expenditures may vary from our projected amounts due to various factors, including changes in market conditions, our ability to generate sufficient cash flows from operations, our ability to obtain adequate financing for these planned capital expenditures, demand for our products, governmental policies regarding the industry in which we operate and the condition of the global economy. In addition, our planned capital expenditures do not include any expenditure for potential acquisitions or investments that we may evaluate from time to time.

We expect to meet our capital expenditure requirements via our internally-generated funds (which includes our cash and cash equivalents on hand and cash generated from future operations) and bank borrowings.

(vii) Commitments

As at the LPD, save as disclosed below, there is no other material commitments incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material adverse impact on the financial position of our Group:

(a) Capital expenditures

	RM'000
Authorised and contracted for:	
- bearer plants	94,378
- property, plant and equipment	200,282
Authorised but not contracted for:	
- bearer plants	765,602
- property, plant and equipment	172,997
- equity interest	203,112
	1,436,371

The following table sets out our capital expenditures by countries as at the LPD:

	RM'000
Malaysia	607,729
Indonesia	398,709
PNG and the Solomon Islands	386,953
Africa	21,557
Europe	19,623
Other Southeast Asian countries	1,800
	1,436,371

The capital expenditure commitment above are mainly in relation to the replacement of our existing assets, expansions on our existing processing facilities and our planned planting programme for the next financial year. The capital expenditures are expected to be funded via our internally-generated funds and bank borrowings.

(b) Leases

The leases of our Group of about RM221 million as at the LPD consist of land lease commitments and rental of assets:

	RM'000
Commitments under non-cancellable operating leases:	
- Expiring not later than 1 year	18,592
- Expiring later than 1 year but not later than 5 years	64,885
- Expiring later than 5 years	137,391
	220,868

The land lease commitments and rental of assets set out above are mainly in relation to the lease of land from private landowners and local governments in PNG and the Solomon Islands, and are expected to be funded via our internally-generated funds.

(c) Plasma plantation

As at the LPD, our Group has committed to develop a total 56,721 Ha of oil palm plantation for plasma farmers in Indonesia. A total of 46,354 Ha of oil palm plantation have been developed, of which about 37,112 Ha have been transferred/handed over to plasma farmers. These commitments will be funded via our internally-generated funds.

(viii) Contingent liabilities

Save as disclosed in Section 15.5 of this Prospectus and below, as at the LPD, our Board confirms that there are no material contingent liabilities, which upon becoming enforceable, may have a material adverse impact on our results of operations or financial position:

	RM'000
Guarantees in respect of credit facilities granted to:	
- certain associates and a joint venture	48,423
- plasma stakeholders	62,864
	111,287

12.2.7 Material divestitures

Save as disclosed below, there have not been any material divestitures undertaken by us for the FYEs 30 June 2015, 30 June 2016, 30 June 2017 and up to the LPD:

(i) sale of the Elmina Land (as defined in Section 12.2.6(ii)(a) of the Prospectus) to Sime Darby Elmina Development Sdn Bhd, the subsidiary of SD Property, which in turn is a subsidiary of SDB, our holding company prior to our Listing, for about RM222 million in the FYE 30 June 2015;

(ii) sale of 55% stake in our former wholly-owned subsidiary, Rizhao SD Oils & Fats, which was valued at about RM47 million to Shandong Wanbao Agriculture Co. Ltd in the FYE 30 June 2015;

(iii) sale of plantation land to SD Property, a subsidiary of SDB, our holding company prior to our Listing, for about RM216 million in the FYE 30 June 2016;

(iv) sale of 29 parcels of land located in Labu, Negeri Sembilan, measuring about 8,796 acres in total (after adjusted for the actual land area of the said land) to KSDB for about RM2,504 million in the FYE 30 June 2017;

(v) sale of 22 parcels of land located in Labu, Negeri Sembilan, measuring about 1,880 acres in total (after adjusted for the actual land area of the said land) to SD Property for about RM690 million that was entered into on 9 June 2017 and completed on 29 September 2017;

(vi) sale of 15 parcels of agriculture land measuring about 366.13 acres in total at Union Division, Diamond Jubilee Estate, Melaka, to Paduwan Realty Sdn Bhd for about RM119 million (subject to the actual land area of the said land) vide the sale and purchase agreement dated 25 October 2017, which is pending completion as at the LPD; and

(vii) sale and transfer of the RM500.0 million nominal value of zero coupon redeemable loan stocks issued by Prolintas Expressway Sdn Bhd, an indirect subsidiary of PNB, for about RM333 million vide the sale and purchase agreement dated 27 October 2017, which was paid by PNB in cash to us on the date of the said agreement but pending completion as at the LPD.

As at the LPD, save for items (vi) and (vii) above, we do not have any uncompleted material divestures.

On 25 August 2017, our Company entered into the Land Option Agreements with SD Property, where we have granted SD Property call options to purchase legal and beneficial ownership of and title to the Option Lands, at any time during the Option Period, at a purchase price to be determined by the board of directors of the parties based on valuation to be conducted by an agreed independent valuer. Please refer to Section 15.6(ii) of this Prospectus for further details of the Land Option Agreements.

12.2.8 Material litigation or arbitration proceedings

Save as disclosed in Section 15.5 of this Prospectus, we are not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence which has a material effect on the financial position of our Group and our Board confirms that there is no proceedings pending or threatened or any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Group.

12.2.9 Key financial ratios

The following table sets out certain key financial ratios of our Group as of the dates indicated:

	As at 30 June		
	2015	**2016**	**2017**
Trade receivable turnover period (days)[(1)]	52	44	38
Trade payable turnover period (days)[(2)]	46	39	34
Inventory turnover period (days)[(3)]	78	85	71
Current ratio[(4)]	0.5	1.3	1.1
Gearing ratio			
- Based on bank borrowings[(5)]	0.5	0.6	0.6
- Based on all interest-bearing borrowings[(6)]	1.5	1.4	0.7

Notes:

(1) Our Group's trade receivables turnover period is computed by multiplying our Group's trade receivables by 365 days over our total revenue for the respective financial years under review. For the purpose of computing the trade receivables turnover period for the FYE 30 June 2015, the revenue of the NBPOL Group included in our Group's total revenue for the FYE 30 June 2015 has been annualised to take into account the acquisition of NBPOL in March 2015.

(2) Our Group's trade payables turnover period is computed by multiplying our Group's trade payables by 365 days over our total cost of goods sold for the respective financial years under review. For the purpose of computing the trade payables turnover period for the FYE 30 June 2015, the cost of goods sold of the NBPOL Group included in our Group's total cost of goods sold for the FYE 30 June 2015 has been annualised to take into account the acquisition of NBPOL in March 2015.

(3) Our Group's inventory turnover period is computed by multiplying our Group's total inventory balances by 365 days over our Group's total cost of goods sold for the financial years under review. For the purpose of computing the inventory turnover period for the FYE 30 June 2015, the cost of goods sold of the NBPOL Group included in our Group's total cost of goods sold for the FYE 30 June 2015 has been annualised to take into account the acquisition of NBPOL in March 2015.

(4) Our Group's current ratio is computed by dividing our Group's total current assets over our Group's total current liabilities as of the dates indicated.

(5) This is computed by dividing our Group's total bank borrowings over our Group's shareholders' funds as of the dates indicated.

(6) This is computed by dividing our Group's total interest-bearing borrowings (including the advances from SDHB that bears interest) over our Group's shareholders' funds as of the dates indicated.

(i) Trade receivables turnover period

Our trade receivables turnover ratio has improved by 8 days and 6 days as at 30 June 2016 and 30 June 2017 respectively, mainly as a result of tighter credit management implemented on our customers, whereby customers are vetted thoroughly prior to being given credit and closer monitoring of collection to control overaged debts. In 2016, we initiated a cost reduction programme which had included tighter credit management to better manage our working capital and mitigate the effects of low CPO prices.

Credit terms for our Group's trade receivables range between 7 days to 120 days, except for our PK customers who are required to make advance payment to us prior to collection of our produce. The aging analysis for our trade receivables as at 30 June 2017 is as follows:

		Past due				
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**More than 90 days**	**Total**
Trade receivables (RM'000)	879,335	407,625	139,811	24,002	88,757	1,539,530
% of total trade receivables	57.1	26.5	9.1	1.6	5.7	100.0
As at the LPD:						
▪ Trade receivables collected (RM'000) / (% of trade receivables)	679,292/ (77.3)	387,967/ (95.2)	115,059/ (82.3)	23,396/ (97.5)	45,601/ (51.4)	1,251,315/ (81.3)
▪ Trade receivables outstanding (RM'000)	200,043	19,658	24,752	606	43,156	288,215

Our trades are mostly with our long-term key customers who have established good and timely track record with no history of defaults. In cases where bad debts arise, necessary legal action is taken where appropriate. There has not been any history of material default by customers.

(ii) Trade payables turnover period

There was a slight reduction of 7 days and 5 days in trade payable turnover period as at 30 June 2016 and 30 June 2017 respectively. Our Group ensures that our subsidiaries are good paymasters with payments made within the credit terms given by suppliers which range up to 90 days. The trade payables consist of credit purchases of edible oils and consumables, such as fertilisers, chemical, fuel and spare parts.

The aging analysis for our trade payables as at 30 June 2017 is as follows:

		Past due				
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**More than 90 days**	**Total**
Trade payables (RM'000)	246,666	371,225	66,067	22,378	29,446	735,782
% of total trade payables	33.5	50.5	9.0	3.0	4.0	100.0
Trade payables settled as at the LPD (RM'000)	196,906	324,983	65,442	21,865	12,950	622,146

(iii) Inventory turnover period

Our inventory comprised produce stocks, such as CPO, PK and sugar, refined edible oil, as well as consumables, which includes fertilisers, spare parts and chemicals.

Our Group's inventory turnover days have increased by 7 days as at 30 June 2016 as compared to the previous financial year. The increase was mainly due to the following:

(a) higher oil stock volumes which were in transit at sea as at the end of that financial year, mainly arising from the delivery of CPO and PKO from our subsidiaries in PNG to Europe; and

(b) delayed application of fertilisers due to the adverse weather conditions especially in Indonesia.

As at 30 June 2017, our Group's inventory turnover period has improved with turnover days of 14 days lower than the previous financial year. The reduction was mainly due to the following:

(a) our improved controls over our stock levels; and

(b) lower goods that were in transit towards the end of the financial year.

(iv) Current ratio

Our current ratio improved from 0.5 times as at 30 June 2015 to 1.3 times as at 30 June 2016 mainly due to the reclassification of the interest-bearing advances from SDHB of about RM6,777 million, to non-current liabilities, as the said creditor had given the assurance that such amounts due would not be recalled within 12 months from 30 June 2016. If no such reclassification is made, the adjusted current ratio as at 30 June 2016 would have been 0.4 times.

However, the continued low levels of CPO market prices have tightened the cash position of our Group, which led to lower cash balances as at 30 June 2016 as compared to the previous year.

Our current ratio deteriorated from 1.3 times to 1.1 times as at 30 June 2017 mainly due to the interest-bearing advances from SDHB of about RM1,292 million being reclassified from non-current liabilities to current liabilities, as the amount became payable on demand in conjunction the Pre-Listing Restructuring. Higher borrowings which are repayable within 12 months from 30 June 2017 arising from the novation of the USD multi-currency sukuk, of which USD49 million will mature in February 2018, also contributed to the reduction of our current ratio.

(v) Gearing ratio

Our gearing ratios as at 30 June 2015 and 30 June 2016 were about 1.5 times to 1.4 times respectively. In the FYE 30 June 2015, we obtained a loan of about RM2,977 million and SDHB had advanced us another RM3,056 million to fund our acquisition of NBPOL, which was completed in March 2015. This had increased our Group's overall bank borrowings and interest-bearing advance from SDHB since the FYE 30 June 2015.

As at 30 June 2017, our gearing ratio has improved significantly from 1.4 times to 0.7 times, mainly due to the settlement of advances from SDHB of about RM3,161 million, which was substantially set-off by the purchase consideration of the sale of land to KSDB during the financial year. The gain from the sale of the said land of RM2,469 million had also increased our retained earnings and equity as at 30 June 2017.

12.2.10 Financial risk management objectives and policies

Our Group is exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risks, as well as price risk. Our Group's financial risk management objective is to minimise potential adverse effects on our financial performance. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to our Group's financial risk management policies. Our Board regularly reviews these risks and approves the policies covering the management of these risks. Our Group uses derivative financial instruments such as forward foreign exchange contracts, future commodities sales contracts and interest rate swaps to hedge certain exposures.

(i) Foreign currency risk

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

Our Group is exposed to currency risk as a result of the foreign currency transactions entered into by our Group.

Where possible, our Group will naturally hedge our foreign currency risk by selling and purchasing in the same currency. Otherwise, our Group enters into forward foreign exchange contracts to limit our exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies. These derivatives are normally contracted through centralised treasury in order to achieve the benefits of netting within our Group and to manage the cost of hedging effectively.

Our Group's policy on the extent of a foreign currency transaction/balance to be hedged is dependent on the duration to the settlement date. In terms of forecast transaction, exposure is hedged only if it is expected to be cost effective.

Our Group does not hedge our cash, deposits and borrowings denominated in other than functional currency.

Our Group is also exposed to currency translation risk arising from our net investments in foreign subsidiaries, joint ventures and associates. The investment in foreign subsidiaries are not hedged due to the long-term nature of those investments, except for the net investments in the NBPOL Group whereby the foreign currency borrowings related to the acquisition of the subsidiary are designated as a natural hedge against the net investment.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of our Group's financial instruments will fluctuate due to changes in market interest rates.

Our Group's income and operating cash flows are substantially independent of changes in market interest rates. Our Group's interest rate exposure arises from our Group's floating rate borrowings which are pegged to market interest rates such as London Interbank Offered Rate (LIBOR) and is managed through the use of floating debt and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

(iii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Our Group's exposure to credit risk arises from sales made on credit terms, derivatives with positive fair value and deposits with banks.

Our Group seeks to control credit risk by dealing with customers and joint venture partners of good credit history and transact and deposit with bank and financial institution of good credit ratings. Our Group has a set of policies and standard operating procedures to mitigate the customer credit risk exposure. The intent of the credit risk management framework is to protect against any unwarranted customer or counterparty credit exposures; maintain credit risk at an acceptable and manageable level; and identify and avoid a material credit failure which would impact earnings.

In determining and approving the credit terms and limits, guided by the credit scoring matrix during the credit evaluation, both new and existing customer accounts shall be evaluated based on history of creditworthiness and its standing in the industry. The credit policy outlines the process of monitoring customer credit limits, reviewing on collection of accounts receivables and management of delinquent customers.

Where appropriate, guarantees or securities are obtained to limit credit risk. Sales to customers are usually suspended when earlier overdue amounts exceeded 180 days.

(iv) Liquidity and cash flow risks

Liquidity and cash flow risks are the risks that our Group, due to shortage of funds, will not be able to meet our financial obligations as they fall due. Our Group's exposure to these risks arise primarily from mismatches of maturities of financial assets and liabilities. To mitigate this risk to an acceptable level, our Group maintains sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Our Group maintains centralised treasury functions where all strategic funding requirements are managed.

Our Company provides unsecured advances to its subsidiaries and where necessary, makes payments for expenses on behalf of its subsidiaries. Our Company monitors the results of the subsidiaries regularly. As at the reporting date, there was no indication that the advances to these subsidiaries are not recoverable.

Our Company is exposed to credit risk arising from financial guarantee contracts given to banks for its subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings used by the subsidiaries. Our management is of the view that the financial guarantee contracts are unlikely to be called by the subsidiaries' lenders.

(v) Price risk

Our Group is largely exposed to commodity price risk due to fluctuations in CPO future prices. Our Group enters into commodity futures contracts to minimise exposure to adverse movements in CPO prices. Certain contracts are entered into and will continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with our Group's expected purchase, sale or usage requirements. Contracts that are not held for the purpose of physical delivery are accounted for as derivatives.

12.2.11 Treasury policies and objectives

Our treasury policy's objective is to regulate treasury activities, funding and banking-related activities that give rise to financial risk to our Group. Our Group maintains a prudent borrowing policy aimed towards maintaining sufficient cash for all cash flow requirements, obtaining a diverse range of funding sources, managing debt and investment portfolio within the relevant maturity buckets and keeping adequate credit facilities to provide sufficient liquidity cushion.

As at 30 June 2017, cash and cash equivalents of our Group were held in the following currencies:

	RM'000[(1)]
RM	167,987
IDR	171,387
USD	206,938
PGK	44,614
Euro	6,553
THB	45,005
GBP	34,741
Other currencies	36,223
Total	**713,448**

Note:

(1) Translated based on the respective exchange rates (middle rate) as at 30 June 2017.

All of our Group's external borrowings as at 30 June 2017 are on floating interest rates, except for the EUR100 million bond (equivalent to about RM490 million) which was subject to a fixed interest charge of 2.9% per annum.

12.2.12 Inflation

We do not believe that inflation has had a material impact on our business, financial condition or results of operations for the financial periods presented. However, inflation may affect our financial performance by increasing certain of our operating expenses, including expenses relating to labour costs, raw materials and other operating expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased revenues.

12.2.13 Order book

Due to the nature of our business, we do not maintain an order book. Please refer to Section 7 of this Prospectus for further details on the nature of our business.

12.2.14 Government/economic/fiscal/monetary policies

Please refer to Section 5 of this Prospectus for information on any government, economic, fiscal or monetary policies or factors which could materially affect our operations.

12.2.15 Trends information

The results of our Group's operations for the FYE 30 June 2017 have been mainly affected and/or are expected to continue to be affected by the following factors, including the factors outlined in Sections 5, 8 and 12.2 of this Prospectus:

(i) the market condition of the Malaysian and international palm oil industry, which will have an impact on local and international prices of CPO;

(ii) the adverse weather conditions such as El Nino and La-Nina, which will impact FFB production;

(iii) our ability to manage our operating costs and improve our profit margins;

(iv) our ability to further create value for our shareholders via our growth and competitive strategies, as outlined in our "Strategies and Future Plans" in Section 7.3 of this Prospectus; and

(v) impact of potential increase in borrowings, including as a result of any change in interest charges and foreign exchange rates on our borrowings.

Save and except as disclosed above, and to the best of our Board's knowledge and belief, our Board confirms that there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our business, financial condition and results of operations.

12.2.16 Significant changes

Save as disclosed in this Prospectus, no significant changes have occurred which may have a material effect on the financial position and results of our Group since 30 June 2017.

12.2.17 Standards issued that are not yet effective

Our Group has not applied the following new standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards Board ("**MASB**"), which may be relevant to our operations, but are only effective on or after 1 July 2017:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative"';
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses";
- Amendments to MFRS 2 "Classification and Measurement of Share-based Payment Transactions";
- Amendments to MFRS 4 "Applying MFRS 9 "Financial Instruments with MFRS 4 "Insurance Contracts"";
- Annual Improvements to MFRSs 2014 – 2016;
- Amendments to MFRS 140 "Clarification on 'Change in Use' – Assets transferred to, or from, Investment Properties";
- MFRS 9 – Financial Instruments;
- MFRS 16 – Leases;
- IC Interpretation 22 "Foreign Currency Translations and Advance Consideration"; and
- IC Interpretation 23 "Uncertainty over Income Tax Treatments".

The above new standards, amendments and interpretation are not expected to have any significant financial impact on our Group upon their initial application except for MFRS 9, MFRS 16 and IC Interpretation 23 which our Group is currently assessing and has yet to quantify the potential impact:

(i) *MFRS 9 – Financial Instruments*

MFRS 9 replaces MFRS 139 – "Financial Instruments: Recognition and Measurement". The standard introduces new requirements for classification and measurement, impairment and hedge accounting, and will be effective for annual reporting periods beginning on or after 1 January 2018.

(ii) *MFRS 16 – Leases*

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments). MFRS 16 will be effective for annual reporting periods beginning on or after 1 January 2019.

(iii) *IC Interpretation 23 - Uncertainty over Income Tax Treatments*

IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective from 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

Our Group will apply IC Interpretation 23 retrospectively.

Further to the above, the effective date for the amendments to MFRS 10 and MFRS 128 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" has been deferred to a date to be determined by MASB.

12.3 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness information based on the unaudited management accounts of our Group as at 30 September 2017 and on the assumption that the following transactions had been effected on 30 September 2017:

(i) settlement of the net inter-company non-trade related amount of about RM1,100 million owing by our Group to the SDB Group as at 30 September 2017, where about RM600 million was settled in cash in October 2017 and RM500 million was settled via issuance of new Shares to SDB for a consideration of RM500 million on 13 November 2017; and

(ii) thereafter, the subdivision of our Shares into 6,800,839,377 Shares to facilitate the Distribution of SD Plantation Shares, which was completed on 14 November 2017,

(collectively, "**Pre-Listing Restructuring Exercise**"); and

(iii) our Listing.

The pro forma financial information below has been prepared for illustrative purposes only based on certain assumptions and does not represent our Group's actual cash and cash equivalents, capitalisation and indebtedness as at 30 September 2017.

		Pro Forma I	**Pro Forma II**
	Unaudited as at 30 September 2017 (RM'000)	**After the Pre-Listing Restructuring Exercise (RM'000)**	**After Pro Forma I and our Listing[1] (RM'000)**
Indebtedness			
Short-term debt			
Secured			
- trade facilities	71,758	71,758	71,758
- finance lease obligations	2,026	2,026	2,026
Unsecured			
- term loans	746,810	746,810	746,810
- revolving credit	613,918	613,918	613,918
- multi-currency sukuk	213,689	213,689	213,689
- amount due to SDB	85	-	-
- amount due to SDHB	1,100,011	-	-
- amount due to other fellow subsidiaries	26,667	26,667	26,667
	2,774,964	**1,674,868**	**1,674,868**
Long-term debt			
Secured			
- finance lease obligations	47,510	47,510	47,510

	Unaudited as at 30 September 2017 (RM'000)	Pro Forma I After the Pre-Listing Restructuring Exercise (RM'000)	Pro Forma II After Pro Forma I and our Listing[(1)] (RM'000)
Unsecured			
- term loans	3,556,951	3,556,951	3,556,951
- revolving credit	1,523,340	1,523,340	1,523,340
- bonds	498,428	498,428	498,428
- multi-currency sukuk	518,363	518,363	518,363
	6,144,592	**6,144,592**	**6,144,592**
Total indebtedness	**8,919,556**	**7,819,460**	**7,819,460**
Total shareholders' equity	13,321,165	13,821,165	13,805,732
Perpetual sukuk	2,199,713	2,199,713	2,199,713
Non-controlling interest	435,882	435,882	435,882
Total equity	**15,956,760**	**16,456,760**	**16,441,327**
Total capitalisation and indebtedness	**24,876,316**	**24,276,220**	**24,260,787**
Gearing ratio (times)[(2)]	**0.67**	**0.57**	**0.57**

Notes:

(1) *The fees and expenses for our Listing are estimated to be around RM28.4 million, of which an amount of about RM13.0 million had already been incurred and charged to the profit or loss of our Group as at 30 September 2017, while the remaining fees and expenses for our Listing of around RM15.4 million are expected to be incurred and charged to our Group's profit or loss subsequent to 30 September 2017.*

(2) *Computed based on total debt divided by total shareholders' equity.*

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12.4 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

pwc

The Board of Directors
Sime Darby Plantation Berhad
Level 10, Main Block, Plantation Tower
No.2, Jalan PJU 1A/7
Ara Damansara
47301, Petaling Jaya
Selangor Darul Ehsan

20 November 2017

PwC/LLC/MC/AW/py/0265C

Dear Sirs,

Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position of Sime Darby Plantation Berhad

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position as at 30 June 2017 of Sime Darby Plantation Berhad ("SD Plantation" or "the Company") and its subsidiaries ("the Group" or "SD Plantation Group") ("Pro Forma Consolidated Statements of Financial Position") together with the Notes thereon. The Pro Forma Consolidated Statements of Financial Position which are set out in the Appendix (which we have stamped for the purpose of identification), have been compiled by the Directors of the Company ("the Directors") for inclusion in the Prospectus to be issued by the Company, in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("the Listing").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon to the Appendix and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors, for illustrative purposes only, to show the effects of the transactions as set out in the Notes thereon to the Appendix on the Group's consolidated statement of financial position presented had these transactions been effected as at the date stated. As part of this process, information about the financial position of SD Plantation Group has been extracted by the Directors from the Group's audited consolidated statement of financial position as at 30 June 2017.

pwc

The Board of Directors
Sime Darby Plantation Berhad
PwC/LLC/MC/AW/py/0265C
20 November 2017

Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position of Sime Darby Plantation Berhad (continued)

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon to the Appendix and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility for the Pro Forma Consolidated Statements of Financial Position

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis set out in the Notes thereon to the Appendix.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon to the Appendix.

pwc

The Board of Directors
Sime Darby Plantation Berhad
PwC/LLC/MC/AW/py/0265C
20 November 2017

Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position of Sime Darby Plantation Berhad (continued)

Reporting Accountants' Responsibility for the Pro Forma Consolidated Statements of Financial Position (continued)

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effects to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

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

pwc

The Board of Directors
Sime Darby Plantation Berhad
PwC/LLC/MC/AW/py/0265C
20 November 2017

Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position of Sime Darby Plantation Berhad (continued)

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the Notes thereon to the Appendix.

Other matter

This report is issued for the sole purpose of inclusion in the Prospectus to be issued by the Company in connection with the Listing, and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with, any transaction other than the Listing.

Yours faithfully,

PRICEWATERHOUSECOOPERS
AF 1146
Chartered Accountants

LOH LAY CHOON
(No. 2497/03/18(J))
Chartered Accountant

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SIME DARBY PLANTATION BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1.0 INTRODUCTION

The Pro Forma Consolidated Statements of Financial Position ("SOFP") of Sime Darby Plantation Berhad ("SD Plantation" or "the Company") and its subsidiaries ("the Group" or "SD Plantation Group") as at 30 June 2017 together with the notes thereon, for which the Directors of the Company ("the Directors") are solely responsible, have been prepared for illustrative purposes only for inclusion in the Prospectus to be issued by the Company, in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Listing").

The Pro Forma Consolidated SOFP as at 30 June 2017 have been prepared based on the assumption that the Pre-Listing Restructuring and the Listing as set out in Notes 1.1 and 1.2 respectively, were effected on 30 June 2017.

1.1 Pre-Listing Restructuring

The Pre-Listing Restructuring is undertaken to facilitate the Listing, comprising the following:

(a) Internal Restructuring Exercise

Prior to the Share Split and Distribution of SD Plantation Shares as disclosed in Note 1.1(b) below, an internal restructuring exercise involving the following transactions was undertaken:

(i) Completed Transaction – Sale of Malaysia Vision Valley Project located in Labu, Negeri Sembilan ("MVV Land") to a fellow subsidiary, Sime Darby Property Berhad ("SD Property") ("MVV Land 2")

Pursuant to the sale and purchase agreement ("SPA") entered into between the Company and SD Property dated 9 June 2017 (as amended pursuant to the letters dated 29 September 2017 and 17 October 2017), the Company transferred 1,880.341 acres of the MVV Land comprising 22 parcels of land to SD Property for a consideration of RM689.6 million, after taking into consideration the market value of the MVV Land 2 as ascribed by C H Williams Talhar & Wong Sdn Bhd ("WTW") on 3 November 2016. As set out in the SPA, a registered surveyor will be appointed to determine the actual land area of the MVV Land 2 ("Survey"). Pursuant to the letters dated 29 September 2017 and 17 October 2017, both parties validated and confirmed the results of the Survey which found that there were discrepancies between the actual land area of the MVV Land 2 and the land area as stated in the SPA. The purchase consideration for the MVV Land 2 was adjusted accordingly for such difference in land area pursuant to the aforementioned letters.

Upon completion of the SPA on 29 September 2017, the Company had utilised the entire proceeds of RM689.6 million arising from this transaction to offset against the amount due to Sime Darby Holdings Berhad ("SDHB"), as agreed between SD Property and SDHB, both fellow subsidiaries of Sime Darby Berhad ("SDB"). A gain of RM675.8 million was realised in the Group's Statement of Profit or Loss. The effects of the Completed Transaction prior to the Listing were illustrated for purposes of the Pro Forma Consolidated SOFP as this transaction is not conditional upon the Listing, and it affects the quantum of settlement to be made on the inter-company balances as set out in Note 1.1 (a)(ii) below.

(ii) Settlement of amounts due to SDB Group of companies ("Interco Settlement")

SD Plantation will settle the net non-trade amount owing by SD Plantation to SDB and SDHB of RM873.1 million after taking into account the Completed Transaction as described in Note 1.1(a)(i) above, via the following transactions:

- Novation of debt from SDB to SDHB of RM145.4 million;
- Amount due from SD Property amounting to RM40 million as at 30 June 2017 received in cash will be used to repay an equivalent amount due to SDHB; and
- Cash settlement of RM333.1 million to fully settle the amount due to SDHB.
- Issuance of new ordinary shares in SD Plantation ("SD Plantation Shares") to SDB, at a total value of RM500 million. The amount due from SDB arising from the issuance of SD Plantation Shares will be used to offset the amount owing by the Company to SDHB;

PRICEWATERHOUSECOOPERS KUALA LUMPUR for identification only Chartered Accountants

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SIME DARBY PLANTATION BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1.0 INTRODUCTION (CONTINUED)

1.1 Pre-Listing Restructuring (continued)

(b) Share Split and Distribution of SD Plantation Shares

After taking into account the items in Note 1.1(a) above, SD Plantation undertakes a subdivision of SD Plantation Shares ("Share Split"). Upon completion of the Share Split, the issued share capital of the Company increased to 6,800,839,377 number of SD Plantation Shares.

Following the completion of the Share Split, SDB will distribute its entire shareholding in SD Plantation by way of dividend-in-specie to the shareholders of SDB whose names appear in the Record of Depositors of SDB as at 5.00pm on 29 November 2017 ("Entitlement Date"), on the basis of 1 SD Plantation Share for every 1 existing ordinary share in SDB ("SDB Share") held, free from encumbrances. There is no financial impact to the Group's financial position as at 30 June 2017 arising from the Share Split and Distribution of SD Plantation Shares.

1.2 The Listing

The Listing involves the admission of SD Plantation Shares to the Official List of Bursa Securities, and the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities.

The transactions set out in Notes 1.1(a)(ii), 1.1(b) and 1.2 are inter-conditional with one another. The completion of the Interco Settlement, Share Split and the Distribution of SD Plantation Shares is conditional upon the Listing. Save as disclosed, the transactions set out in Notes 1.1(a)(ii), 1.1(b) and 1.2 are not conditional upon any other corporate exercise/scheme of SD Plantation.

The total expenses to be incurred in connection with the Listing are estimated to be RM28.4 million, of which an amount of RM7.4 million had already been incurred and charged to the Group's Statement of Profit or Loss during the financial year ended 30 June 2017. The remaining listing expenses of RM21.0 million are expected to be incurred and charged to the Group's Statement of Profit or Loss subsequent to 30 June 2017.

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SIME DARBY PLANTATION BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

The Pro Forma Consolidated SOFP as at 30 June 2017 have been prepared for illustrative purposes only to show the effects on the audited consolidated statement of financial position of SD Plantation Group as at 30 June 2017 had the Pre-Listing Restructuring and the Listing as set out in Notes 1.1, and 1.2 respectively, been effected on 30 June 2017, and should be read in conjunction with the notes in this Appendix.

		Audited	Pro Forma I	Pro Forma II
	Note	Consolidated SOFP as at 30.6.2017 RM'000	After Completed Transaction RM'000	After Pro Forma I, Interco Settlement, Share Split, Distribution of SD Plantation Shares and the Listing RM'000
Non-current assets				
Property, plant and equipment		18,339,595	18,339,595	18,339,595
Investment properties		15,180	15,180	15,180
Prepaid lease rentals		625,009	625,009	625,009
Joint ventures		479,675	479,675	479,675
Associates		129,123	129,123	129,123
Intangible assets		3,039,241	3,039,241	3,039,241
Available-for-sale investments		110,389	110,389	110,389
Deferred tax assets		640,812	640,812	640,812
Tax recoverable		332,700	332,700	332,700
Trade and other receivables		82,802	82,802	82,802
		23,794,526	23,794,526	23,794,526
Current assets				
Inventories		1,521,808	1,521,808	1,521,808
Biological assets		198,999	198,999	198,999
Trade and other receivables		2,558,126	2,558,126	2,558,126
Tax recoverable		385,161	385,161	385,161
Amounts due from fellow subsidiaries	3.4	43,031	43,031	3,031
Derivatives		56,184	56,184	56,184
Bank balances, deposits and cash	3.5	713,448	713,448	359,327
		5,476,757	5,476,757	5,082,636
Non-current assets held for sale	3.6	183,594	169,841	169,841
Total current assets		5,660,351	5,646,598	5,252,477

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SIME DARBY PLANTATION BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONTINUED)

	Note	Audited Consolidated SOFP as at 30.6.2017 RM'000	Pro Forma I After Completed Transaction RM'000	Pro Forma II After Pro Forma I, Interco Settlement, Share Split, Distribution of SD Plantation Shares and the Listing RM'000
Current liabilities				
Trade and other payables		1,772,716	1,772,716	1,772,716
Deferred income		26,707	26,707	26,707
Amount due to immediate holding company	3.7	145,392	145,392	-
Amounts due to fellow subsidiaries	3.8	1,441,523	751,936	24,228
Tax payable		267,729	267,729	267,729
Derivatives		27,732	27,732	27,732
Borrowings		1,325,449	1,325,449	1,325,449
Finance lease obligations		2,993	2,993	2,993
		5,010,241	4,320,654	3,447,554
Liabilities directly associated with non-current assets held for sale		15,395	15,395	15,395
Total current liabilities		5,025,636	4,336,049	3,462,949
Net current assets		634,715	1,310,549	1,789,528
Non-current liabilities				
Retirement benefits		237,850	237,850	237,850
Deferred income		912	912	912
Deferred tax liabilities		2,595,657	2,595,657	2,595,657
Borrowings		6,412,478	6,412,478	6,412,478
Finance lease obligations		50,074	50,074	50,074
Other payables		8,915	8,915	8,915
		9,305,886	9,305,886	9,305,886
Net assets		15,123,355	15,799,189	16,278,168
Equity				
Share capital	3.9	600,000	600,000	1,100,000
Reserves	3.10	11,858,084	12,533,918	12,512,897
Net assets attributable to equity holder(s) of the Company#		12,458,084	13,133,918	13,612,897
Perpetual Sukuk		2,231,384	2,231,384	2,231,384
Non-controlling interests		433,887	433,887	433,887
Total equity/Net assets		15,123,355	15,799,189	16,278,168
Number of ordinary shares ('000) (Note 1.1 (b))		600,000	600,000	6,800,839
Net assets attributable to equity holder(s) of the Company per ordinary share (RM) @		20.76	21.89	2.00

\# Net assets attributable to equity holder(s) of the Company = Equity attributable to equity holder(s) of the Company.

@ Net assets attributable to equity holder(s) of the Company per ordinary share = Equity attributable to equity holder(s) of the Company divided by the number of ordinary shares.

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SIME DARBY PLANTATION BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

3.1 Basis of preparation

The Pro Forma Consolidated SOFP as at 30 June 2017 have been prepared based on the audited consolidated statement of financial position of SD Plantation Group as at 30 June 2017 which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of financial statements and accounting policies of SD Plantation Group.

The Pro Forma Consolidated SOFP as at 30 June 2017 have been prepared for illustrative purposes only to show the effects of the Pre-Listing Restructuring and the Listing as set out in Notes 1.1 and 1.2 respectively, on the audited consolidated statement of financial position as at 30 June 2017 had the transactions been effected on 30 June 2017, and should be read in conjunction with the notes in this Appendix. Such information, because of its hypothetical nature, does not give a true picture of the actual effects of the transaction or event on the financial information presented had the transaction or event occurred on 30 June 2017. Further, such information does not purport to predict SD Plantation Group's financial position.

The audit report on the audited consolidated financial statements of SD Plantation Group for the financial year ended 30 June 2017 used in the preparation of the Pro Forma Consolidated SOFP was not subject to any qualification.

3.2 Pro Forma I

The Pro Forma Consolidated SOFP I incorporates the effects of the Completed Transaction as set out in Note 1.1(a)(i).

3.3 Pro Forma II

The Pro Forma Consolidated SOFP II incorporates the effects of Pro Forma I as set out in Note 3.2, Interco Settlement, Share Split and Distribution of SD Plantation Shares, and the Listing as set out in Notes 1.1(a)(ii), 1.1(b) and 1.2 respectively.

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SIME DARBY PLANTATION BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONTINUED)

3.4 Amounts due from fellow subsidiaries (comprised SD Property and other fellow subsidiaries)

The movement in amounts due from fellow subsidiaries is as follows:

	RM'000
Per Audited Consolidated SOFP as at 30 June 2017/ Pro Forma Consolidated SOFP I	43,031
Settlement of amount due from SD Property in cash (Note 3.5)	(40,000)
Per Pro Forma Consolidated SOFP II	3,031

3.5 Bank balances, deposits and cash

The movements in cash and bank balances are as follows:

	RM'000
Per Audited Consolidated SOFP as at 30 June 2017/ Pro Forma Consolidated SOFP I	713,448
Settlement of amount due from SD Property (Note 3.4)	40,000
Repayment of amount due to SDHB (Notes 1.1(a)(ii) and 3.8)	(40,000)
Settlement of the remaining outstanding amount due to SDHB (Notes 1.1(a)(ii) and 3.8)	(333,100)
Payment of estimated listing expenses (Notes 1.2 and 3.10)	(21,021)
Per Pro Forma Consolidated SOFP II	359,327

3.6 Non-current assets held for sale

The movement in non-current assets held for sale is as follows:

	RM'000
Per Audited Consolidated SOFP as at 30 June 2017	183,594
Sale of MVV Land (Note 1.1(a)(i))	(13,753)
Per Pro Forma Consolidated SOFP I and II	169,841

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SIME DARBY PLANTATION BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.0 NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONTINUED)

3.7 Amount due to immediate holding company ("SDB")

The movement in amount due to immediate holding company is as follows:

	RM'000
Per Audited Consolidated SOFP as at 30 June 2017/ Pro Forma Consolidated SOFP I	145,392
Novation of debt from SDB to SDHB (Notes 1.1(a)(ii) and 3.8)	(145,392)
Per Pro Forma Consolidated SOFP II	-

3.8 Amounts due to fellow subsidiaries (comprised SDHB and other fellow subsidiaries)

The movements in amounts due to fellow subsidiaries are as follows:

	RM'000
Per Audited Consolidated SOFP as at 30 June 2017	1,441,523
Inter-company settlement from SD Property to offset against SDHB on the sale of MVV Land (Note 1.1(a)(i))	(689,587)
Per Pro Forma Consolidated SOFP I	751,936
Novation of debt from SDB to SDHB (Notes 1.1(a)(ii) and 3.7)	145,392
Offset of amount due from SDB arising from the issuance of SD Plantation Shares against the amount due to SDHB (Notes 1.1(a)(ii) and 3.9)	(500,000)
Settlement of amount due to SDHB in cash (Notes 1.1(a)(ii) and 3.5)	(40,000)
Full settlement of the remaining outstanding amount due to SDHB in cash (Notes 1.1(a)(ii) and 3.5)	(333,100)
Per Pro Forma Consolidated SOFP II	24,228

3.9 Share capital

The movement in share capital is as follows:

	RM'000
Per Audited Consolidated SOFP as at 30 June 2017/ Pro Forma Consolidated SOFP I	600,000
Issuance of new SD Plantation Shares (Notes 1.1(a)(ii) and 3.8)	500,000
Per Pro Forma Consolidated SOFP II	1,100,000

3.10 Reserves

The movements in reserves are as follows:

	RM'000
Per Audited Consolidated SOFP as at 30 June 2017	11,858,084
Gain from sale of MVV land (Note 1.1(a)(i))	675,834
Per Pro Forma Consolidated SOFP I	12,533,918
Estimated listing expenses (Notes 1.2 and 3.5)	(21,021)
Per Pro Forma Consolidated SOFP II	12,512,897

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SIME DARBY PLANTATION BERHAD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

4.0 APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Sime Darby Plantation Berhad in accordance with their resolution dated 20 November 2017.

On behalf of the Board

Tan Sri Dato' A. Ghani Othman
Director

Tan Sri Dato' Seri Mohd Bakke Salleh
Director

12.5 DIVIDEND POLICY

Our ability to pay dividends is dependent upon our profitability and financial condition and will have regard to our working capital needs, capital expenditure plans, availability of cash to fund such dividends or other distributions, the covenants in our existing loan agreements, which restrict the payment of dividends or other distributions until such loans are fully settled (or unless the prior approval of the lenders is obtained), and/or other agreements (including shareholders' agreements) to which any of the companies within our Group are parties to and any other relevant factors that the respective boards of directors deem relevant.

It is the policy of our Board in recommending dividends to allow shareholders to participate in our profits, as well as to retain adequate reserves for our future growth.

The declaration of interim and final dividends is subject to the discretion of our Board. However, our ability to pay dividends or make other distributions to our shareholders will depend upon a number of factors, including:

- the level of our cash, gearing, return on equity and retained earnings;
- our expected financial performance;
- our projected levels of capital expenditure and other investment plans;
- our working capital requirements; and
- our existing and future debt obligations.

We propose to pay dividends out of cash generated from our operations after setting aside necessary funding for capital expenditure and working capital requirements. As part of this policy, our Company targets a dividend payout ratio of not less than 50.0% of our consolidated profit attributable to the owners of our Company under MFRS, beginning 1 July 2017.

You should note that the foregoing statement on the payment of dividends merely describes our Company's present intention and should not constitute a legally binding obligation on our Company or legally binding statement in respect of our future dividends which are subject to modification (including non-declaration of dividends) at our Board's discretion. You should not treat the statement as an indication of our Group's future dividend policy. Please also refer to Section 5 of this Prospectus for factors which may affect or restrict our ability to pay dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

pwc

The Board of Directors
Sime Darby Plantation Berhad
Level 10, Main Block, Plantation Tower
No.2, Jalan PJU 1A/7
Ara Damansara
47301, Petaling Jaya
Selangor Darul Ehsan

20 November 2017

PwC/LLC/MC/AW/sw/0267C

Dear Sirs,

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountant's Report of Sime Darby Plantation Berhad

We have audited the consolidated financial statements of Sime Darby Plantation Berhad ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at 30 June 2015, 30 June 2016 and 30 June 2017, the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017, and a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 257.

<u>Directors' Responsibility for the Consolidated Financial Statements</u>

The Directors of the Company ("the Directors") are responsible for the preparation of the consolidated financial statements for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017 so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

pwc

The Board of Directors
Sime Darby Plantation Berhad
PwC/LLC/MC/AW/sw/0267C
20 November 2017

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of Sime Darby Plantation Berhad (Continued)

Reporting Accountant's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our work in accordance with the 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as at 30 June 2015, 30 June 2016 and 30 June 2017, and of its financial performance and cash flows for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017, in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

pwc

The Board of Directors
Sime Darby Plantation Berhad
PwC/LLC/MC/AW/sw/0267C
20 November 2017

Reporting Accountants' Opinion on the Consolidated Financial Statements contained in the Accountants' Report of Sime Darby Plantation Berhad (Continued)

Other matters

In accordance with paragraph 13.04 of Chapter 13, Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC"), we also report that the significant subsequent events identified by the Group since 30 June 2017, to the date of this opinion are as disclosed in Note 2.52 to the consolidated financial statements.

This opinion has been prepared solely to comply with Chapter 13, Division 1: Equity of the Prospectus Guidelines issued by the SC and for inclusion in the Prospectus of the Company in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad, and should not be relied on for any other purposes.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

LOH LAY CHOON
(No. 2497/03/18 (J))
Chartered Accountant

SIME DARBY PLANTATION BERHAD (647766-V)
(Incorporated in Malaysia)

1 CONSOLIDATED FINANCIAL STATEMENTS

1.1 GENERAL INFORMATION

Sime Darby Plantation Berhad ("SD Plantation" or "the Company") was incorporated as a private limited liability company in Malaysia on 2 April 2004 under the name of Sime Plantations Sdn Bhd. The name was changed to Sime Darby Plantation Sdn Bhd on 2 January 2008 upon the completion of the merger between Sime Darby Berhad ("SDB"), Golden Hope Plantations Berhad and Kumpulan Guthrie Berhad.

On 20 July 2017, the Company was converted from a private limited liability company to a public limited company and assumed the name of Sime Darby Plantation Berhad. SD Plantation and its subsidiaries, are collectively known as "the Group" or "SD Plantation Group" in the consolidated financial statements contained in the Accountants' Report.

The Company acquired 98.8% of equity interest in New Britain Palm Oil Limited ("NBPOL"), a Papua New Guinea based plantation company on 2 March 2015. Subsequently on 21 April 2015, NBPOL became a wholly-owned subsidiary of SD Plantation upon the acquisition of the remaining 1.2% equity interest in NBPOL. The acquisition was undertaken to enhance the earnings of the Group's plantation business as well as to provide synergistic benefits.

The Directors regard Sime Darby Berhad, Permodalan Nasional Berhad and Yayasan Pelaburan Bumiputra as its immediate, penultimate and ultimate holding companies, respectively, all of which are incorporated in Malaysia.

On 20 November 2017, the shareholders of SDB approved the proposed demerger of the then SDB Group to create 3 separate and independent listed entities with distinct businesses ("Proposed Listing") with the Company and Sime Darby Property Berhad ("SD Property"), to undertake the plantation and property businesses of the then SDB Group respectively, whilst SDB is to remain listed on the Main Market of Bursa Securities with the following businesses:

(a) trading comprising motors and industrial;
(b) logistics; and
(c) other businesses comprising healthcare, insurance, retail and other investments.

To facilitate the Proposed Listing, the Company shall undertake a pre-listing restructuring exercise as described below (collectively, "Pre-Listing Restructuring"):

(a) an internal restructuring of the SDB Group prior to the proposed distribution of the Company's ordinary shares ("SD Plantation Shares") ("Internal Restructuring Exercise");
(b) sub-division of SD Plantation Shares ("Proposed Share Split"); and
(c) distribution of SD Plantation Shares to the entitled shareholders of SDB as described below ("Proposed Distribution").

Prior to the Proposed Share Split and Proposed Distribution, the Company shall undertake the Internal Restructuring Exercise which involves the following:

(i) restructuring of SDB Group's borrowing which resulted in the novation of the borrowings, namely the Perpetual Sukuk of RM2.2 billion (see Note 2.35) and the Multi-currency Sukuk of USD172.1 million (see Note 2.38(c)) to the Company. The restructuring of these borrowings was completed before the end of financial year ended 30 June 2017;

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SIME DARBY PLANTATION BERHAD (647766-V)
(Incorporated in Malaysia)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.1 GENERAL INFORMATION (CONTINUED)

Prior to the Proposed Share Split and Proposed Distribution, the Company shall undertake the Internal Restructuring Exercise which involves the following (continued):

(ii) transfer of property assets from the Company to Kumpulan Sime Darby Berhad ("KSDB"), a wholly-owned subsidiary of SDB, and SD Property involving the sale of 10,676.323 acres of land earmarked for the Malaysia Vision Valley project which is located in Labu, Negeri Sembilan ("MVV Land") as follows:

(a) 8,795.982 acres of the MVV Land comprising 29 parcels of land, acquired by KSDB ("MVV Land 1") pursuant to the sale and purchase agreement ("SPA") dated 7 June 2017 (as amended via the letter dated 25 October 2017) entered into between the Company as vendor and KSDB as purchaser, for a consideration of RM2.5 billion. This transaction was completed on 30 June 2017 (see Note 2.47(d)(iii)); and

(b) 1,880.341 acres of the MVV Land comprising 22 parcels of land, to be acquired by SD Property ("MVV Land 2") pursuant to the SPA dated 9 June 2017 (as amended via the letters dated 29 September 2017 and 17 October 2017) entered into between the Company as vendor and SD Property as purchaser, for a consideration of RM689.6 million. The sales consideration for MVV Land 1 and MVV Land 2 were arrived at after considering the market values as ascribed by C H Williams Talhar & Wong ("WTW") as at 3 November 2016.

As set out in the respective SPAs, a registered surveyor will be appointed to determine the actual land area of the MVV Land ("Survey"). Pursuant to the letters dated 29 September 2017, 17 October 2017 and 25 October 2017, the parties validated and confirmed the results of the Survey which found that there were discrepancies between the actual land area of the MVV Land and the land area as stated in the respective SPAs. The purchase consideration for the MVV Land was adjusted accordingly for such difference in land area pursuant to the aforementioned letters.

Following the completion of the sale of the MVV Land, the Company had on 19 July 2017 and 29 September 2017, entered into separate tenancy agreements with KSDB and SD Property for the leaseback of the respective portion of the MVV Land for the Company to continue to manage the estates on the MVV land (including planting/replanting, maintenance of oil palms, and the harvesting and selling of fresh fruit bunches ("FFB")). The tenancy agreements are for a period of 3 years from 30 June 2017 and 29 September 2017 respectively with an option to renew for another 3 years. The rental payment will take into account the price of crude palm oil and total planted area; and

(iii) settlement of the net non-trade balances amounting to approximately RM873.1 million owing by the Group to SDB Group after taking into account items (a) and (b) in Note 1.1(ii) above, whereby RM500 million will be settled via the issuance of new ordinary shares of SD Plantation to SDB and the remaining RM373.1 million to be settled in the following manner:
- amount due from a fellow subsidiary, SD Property of RM40 million, which was received in cash will be used to repay an equivalent amount due to SDH Berhad; and
- the remaining amount of about RM333.1 million shall be settled in cash.

Following the completion of the Internal Restructuring Exercise as described above, the Company had undertaken the Proposed Share Split and increased its issued share capital to 6,800,839,377 ordinary shares. SDB will then distribute its entire shareholding in the Company by way of dividend-in-specie to the shareholders of SDB whose names appear in the Record of Depositors of SDB ("Entitled Shareholders of SDB") at 5.00pm on 29 November 2017 ("Entitlement Date"), on the basis of 1 SD Plantation Share for every 1 existing ordinary share in SDB ("SDB Share") held, free from encumbrances.

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SIME DARBY PLANTATION BERHAD (647766-V)
(Incorporated in Malaysia)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.1 GENERAL INFORMATION (CONTINUED)

The principal activities of the Group consist of the production, processing, refining and sales of palm oil and palm kernel oil, manufacturing and blending, marketing and distribution of specialty fats, edible oils, rubber and other palm oil related products, production and sales of sugar and beef, and the involvement in other agriculture related business as disclosed in Note 2.51. There were no significant changes in the nature of the principal activities of the Group during the financial years reported in the Accountants' Report.

The address of the registered office and principal place of business of SD Plantation is as follows:

Level 10, Main Block
Plantation Tower
No.2 Jalan PJU 1A/7
Ara Damansara
47301, Petaling Jaya
Selangor Darul Ehsan

No audited consolidated financial statements of SD Plantation Group have been prepared in respect of any period subsequent to 30 June 2017.

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SIME DARBY PLANTATION BERHAD (647766-V)
(Incorporated in Malaysia)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	2.5	10,304,041	11,946,464	14,779,381
Operating expenses	2.6	(9,185,254)	(11,130,911)	(12,991,023)
Other operating income	2.7	333,144	331,102	2,671,005
Other gains and losses	2.8	118,986	121,303	78,507
Operating profit		1,570,917	1,267,958	4,537,870
Share of results of joint ventures	2.20	(33,774)	(1,883)	(76,606)
Share of results of associates	2.21	457	(6,706)	(5,929)
Profit before interest and tax		1,537,600	1,259,369	4,455,335
Finance income	2.9	85,517	43,763	47,486
Finance costs	2.10	(307,194)	(464,093)	(471,858)
Profit before tax		1,315,923	839,039	4,030,963
Tax (expense)/credit	2.12	(284,477)	163,896	(479,053)
Profit for the financial year		1,031,446	1,002,935	3,551,910
Profit for the financial year attributable to:				
- equity holder of the Company		997,113	967,179	3,507,099
- Perpetual Sukuk	2.35	-	-	2,724
- non-controlling interests		34,333	35,756	42,087
		1,031,446	1,002,935	3,551,910
		sen	sen	sen
Basic/diluted earnings per share attributable to equity holder of the Company	2.13	166.19	161.20	584.52

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SIME DARBY PLANTATION BERHAD (647766-V)
(Incorporated in Malaysia)

1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.3 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2015 RM'000	2016 RM'000	2017 RM'000
Profit for the financial year		1,031,446	1,002,935	3,551,910
Items that will be reclassified subsequently to profit or loss:				
Currency translation differences:				
- subsidiaries		527,590	421,291	214,580
- joint ventures	2.20(a)	5,223	31,774	11,385
Available-for-sale investments				
- changes in fair value	2.23	(16,587)	18,438	(1,983)
Cash flow hedge				
- changes in fair value		(3,500)	(37,343)	6,763
- transfers to profit or loss	2.8	(7,342)	9,293	25,430
Tax credit/(expenses) relating to components of other comprehensive income	2.15	3,792	5,445	(7,034)
		509,176	448,898	249,141
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (loss)/gain on defined benefit plans	2.37	(7,494)	446	17,230
Share of other comprehensive (loss)/income of joint ventures	2.20(a)	(20,857)	5,573	(8,179)
Tax credit/(expenses) relating to components of other comprehensive income	2.15	1,954	(113)	(4,292)
		(26,397)	5,906	4,759
Total other comprehensive income for the financial year	2.15	482,779	454,804	253,900
Total comprehensive income for the financial year		1,514,225	1,457,739	3,805,810
Total comprehensive income for the financial year attributable to:				
- equity holder of the Company		1,455,089	1,386,966	3,764,109
- Perpetual Sukuk	2.35	-	-	2,724
- non-controlling interests		59,136	70,773	38,977
		1,514,225	1,457,739	3,805,810

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	2.16	11,102,627	17,137,292	18,002,191	18,339,595
Investment properties	2.17	6,607	14,115	14,139	15,180
Biological assets	2.18	-	8,422	44,969	-
Prepaid lease rentals	2.19	642,906	622,798	632,170	625,009
Joint ventures	2.20	492,838	511,840	551,252	479,675
Associates	2.21	69,707	141,441	132,859	129,123
Intangible assets	2.22	55,046	2,676,207	2,846,363	3,039,241
Available-for-sale investments	2.23	79,658	89,001	109,004	110,389
Deferred tax assets	2.24	151,773	152,867	580,060	640,812
Tax recoverable	2.25	238,335	334,173	407,016	332,700
Trade and other receivables	2.26	335,701	352,386	412,612	82,802
		13,175,198	22,040,542	23,732,635	23,794,526
CURRENT ASSETS					
Inventories	2.27	716,914	1,340,906	1,504,956	1,521,808
Biological assets	2.18	96,687	174,639	122,616	198,999
Trade and other receivables	2.26	1,775,351	2,483,783	2,274,949	2,558,126
Tax recoverable	2.25	28,950	83,099	47,678	385,161
Available-for-sale investments	2.23	20,449	14,207	13,705	-
Amounts due from fellow subsidiaries	2.28	231,786	227,829	76,244	43,031
Derivatives	2.29	10,360	13,068	24,124	56,184
Bank balances, deposits and cash	2.30	1,189,310	1,102,415	636,340	713,448
		4,069,807	5,439,946	4,700,612	5,476,757
Non-current assets held for sale	2.31	-	10,712	3,862	183,594
TOTAL ASSETS		17,245,005	27,491,200	28,437,109	29,454,877

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
EQUITY					
Share capital	2.32	600,000	600,000	600,000	600,000
Reserves	2.34	7,450,123	8,305,212	8,992,178	11,858,084
Attributable to equity holder of the Company		8,050,123	8,905,212	9,592,178	12,458,084
Perpetual Sukuk	2.35	-	-	-	2,231,384
Non-controlling interests	2.36	493,984	560,841	454,959	433,887
TOTAL EQUITY		8,544,107	9,466,053	10,047,137	15,123,355
NON-CURRENT LIABILITIES					
Retirement benefits	2.37	147,967	175,642	224,090	237,850
Deferred income	2.40	2,069	1,638	1,277	912
Deferred tax liabilities	2.24	742,521	2,420,167	2,482,075	2,595,657
Amounts due to fellow subsidiaries	2.28	1,175,537	700,000	7,477,346	-
Borrowings	2.38	460,000	3,592,019	4,551,977	6,412,478
Finance lease obligations	2.39	145,920	139,219	122,128	50,074
Other payables	2.41	6,709	4,291	1,514	8,915
		2,680,723	7,032,976	14,860,407	9,305,886
CURRENT LIABILITIES					
Trade and other payables	2.41	1,314,289	1,837,195	1,615,147	1,772,716
Deferred income	2.40	12,166	20,572	6,612	26,707
Amount due to immediate holding company	2.28	647,970	395,246	705,759	145,392
Amounts due to fellow subsidiaries	2.28	3,824,949	7,508,618	101,835	1,441,523
Tax payable		70,773	7,519	74,030	267,729
Derivatives	2.29	5,507	31,532	49,311	27,732
Borrowings	2.38	138,679	1,184,685	970,388	1,325,449
Finance lease obligations	2.39	5,842	6,804	6,483	2,993
		6,020,175	10,992,171	3,529,565	5,010,241
Liabilities directly associated with non-current assets held for sale	2.31	-	-	-	15,395
TOTAL LIABILITIES		8,700,898	18,025,147	18,389,972	14,331,522
TOTAL EQUITY AND LIABILITIES		17,245,005	27,491,200	28,437,109	29,454,877

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CHANGES OF EQUITY

	Note	Share capital RM'000	Capital contribution reserve RM'000	Reserves RM'000	Retained earnings RM'000	Attributable to equity holder of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2014		600,000	-	72,650	7,377,473	8,050,123	493,984	8,544,107
Profit for the financial year		-	-	-	997,113	997,113	34,333	1,031,446
Other comprehensive income/ (loss) for the financial year	2.15	-	-	483,879	(25,903)	457,976	24,803	482,779
Total comprehensive income for the financial year		-	-	483,879	971,210	1,455,089	59,136	1,514,225
Transactions with equity holders:								
- acquisition of subsidiaries	2.42	-	-	-	-	-	72,217	72,217
- disposal of a subsidiary		-	-	495	(495)	-	-	-
- dividends	2.14, 2.36	-	-	-	(600,000)	(600,000)	(64,496)	(664,496)
Employee share scheme - value of employee services*		-	(845)	-	-	(845)	-	(845)
Recharge to immediate holding company		-	845	-	-	845	-	845
At 30 June 2015		600,000	-	557,024	7,748,188	8,905,212	560,841	9,466,053

* Relates to the Performance-Based Employee Share Scheme of the Group, as disclosed in Note 2.33.

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CHANGES OF EQUITY (CONTINUED)

	Note	Share capital RM'000	Capital contribution reserve RM'000	Reserves RM'000	Retained earnings RM'000	Attributable to equity holder of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2015		600,000	-	557,024	7,748,188	8,905,212	560,841	9,466,053
Profit for the financial year		-	-	-	967,179	967,179	35,756	1,002,935
Other comprehensive income for the financial year	2.15	-	-	413,606	6,181	419,787	35,017	454,804
Total comprehensive income for the financial year		-	-	413,606	973,360	1,386,966	70,773	1,457,739
Transactions with equity holders:								
- dividends	2.14, 2.36	-	-	-	(700,000)	(700,000)	(176,655)	(876,655)
Employee share scheme - value of employee services*		-	(13,518)	-	-	(13,518)	-	(13,518)
Recharge to immediate holding company		-	13,518	-	-	13,518	-	13,518
At 30 June 2016		600,000	-	970,630	8,021,548	9,592,178	454,959	10,047,137

* Relates to the Performance-Based Employee Share Scheme of the Group, as disclosed in Note 2.33.

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 CONSOLIDATED STATEMENTS OF CHANGES OF EQUITY (CONTINUED)

	Note	Share capital RM'000	Capital contribution reserve RM'000	Reserves RM'000	Retained earnings RM'000	Attributable to equity holder of the Company RM'000	Perpetual Sukuk RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2016		600,000	-	970,630	8,021,548	9,592,178	-	454,959	10,047,137
Profit for the financial year		-	-	-	3,507,099	3,507,099	2,724	42,087	3,551,910
Other comprehensive income/ (loss) for the financial year	2.15	-	-	253,162	3,848	257,010	-	(3,110)	253,900
Total comprehensive income for the financial year		-	-	253,162	3,510,947	3,764,109	2,724	38,977	3,805,810
Transactions with equity holders:									
- novation of Perpetual Sukuk		-	-	-	-	-	2,228,660	-	2,228,660
- dividends	2.14, 2.36	-	-	-	(900,000)	(900,000)	-	(60,049)	(960,049)
Disposal of available-for-sale investments		-	-	1,797	-	1,797	-	-	1,797
At 30 June 2017		600,000	-	1,225,589	10,632,495	12,458,084	2,231,384	433,887	15,123,355

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.6 CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2015 RM'000	2016 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the financial year		1,031,446	1,002,935	3,551,910
Adjustments for:				
Amortisation of:				
- intangible assets		18,297	32,365	38,600
- prepaid lease rentals		34,754	37,820	40,661
Bad debts written off		903	4,575	10,274
Depreciation of:				
- property, plant and equipment		744,895	1,054,202	1,167,333
- investment properties		58	69	78
Dividend income		(3,546)	(1,483)	(1,793)
Finance costs	2.10	307,194	464,093	471,858
Finance income	2.9	(85,517)	(43,763)	(47,486)
Fair value (gains)/losses:				
- commodities futures contracts		(3,958)	(6,162)	(23,725)
- forward foreign exchange contracts (non-hedging derivatives)		6,695	(3,476)	2,878
- forward foreign exchange contracts (cash flow hedge)		7,342	(9,293)	(25,430)
Fair value changes in biological assets (net)		(30,601)	25,976	(23,391)
(Gains)/losses on disposals of:				
- property, plant and equipment		(300,489)	(4,611)	(2,562,728)
- non-current assets held for sale		-	(210,898)	-
- available-for-sale investments		-	-	1,538
- biological assets		-	(6,536)	-
- subsidiary		638	-	-
Impairment of:				
- property, plant and equipment		14,494	75	210,178
- intangible assets		-	3,015	-
- trade and other receivables		2,394	9,772	12,887
Intangible assets written off		-	-	2,166
Property, plant and equipment written off		31,588	25,645	57,646
Retirement benefits		20,602	46,522	44,340
Employee share scheme		(845)	(13,518)	-
Reversal of impairment of:				
- property, plant and equipment		(755)	-	-
- trade and other receivables		(524)	(19,641)	(620)

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.6 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	2015 RM'000	2016 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Adjustments for (continued):				
Reversal of accruals for claims		(173)	(4,060)	-
Share of results of:				
- joint ventures		33,774	1,883	76,606
- associates		(457)	6,706	5,929
Tax expense/(credit)	2.12	284,477	(163,896)	479,053
Unrealised exchange gains (net)		(51,483)	(35,070)	(10,023)
Write-down/(reversal) of inventories (net)		1,439	(837)	(22,562)
		2,062,642	2,192,409	3,456,177
Changes in working capital:				
Inventories		(103,407)	(107,570)	108,778
Trade and other payables		364,353	(204,111)	186,711
Trade and other receivables		(157,945)	54,478	120,005
Intercompany balances		224,725	112,899	62,024
Cash generated from operations		2,390,368	2,048,105	3,933,695
Tax paid		(411,015)	(244,440)	(622,989)
Retirement benefits paid		(6,383)	(6,722)	(18,649)
Net cash generated from operating activities		1,972,970	1,796,943	3,292,057
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries	2.42	(5,998,169)	-	-
Acquisition of business	2.42	-	-	(106,689)
Additional investment:				
- in existing joint ventures		(23,413)	(3,682)	-
- in existing associates		(33,105)	(34,054)	-
Subscription of convertible notes of an associate		-	(17,444)	(48,102)
Advances for plasma plantation projects		(1,570)	(23,296)	(9,493)
Dividends received from:				
- associates		1,067	2,439	1,319
- other investments		3,546	1,483	1,793
Finance income received		66,910	23,852	26,182
Investments in joint venture		(25)	-	-
Proceeds from sale of:				
- property, plant and equipment		331,745	33,316	154,984
- non-current assets held for sale		-	217,750	-
- investment in subsidiaries		46,533	-	-
- available-for-sale investments		-	-	12,816
Purchase of:				
- interest in available-for-sale investment		(22,703)	-	-
- property, plant and equipment		(1,108,495)	(1,297,199)	(1,574,155)
- intangible assets		(48,913)	(37,746)	(35,209)
- prepaid lease rentals		(4,984)	(452)	(1,093)
Net cash used in investing activities		(6,791,576)	(1,135,033)	(1,577,647)

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1 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.6 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	2015 RM'000	2016 RM'000	2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Finance costs paid		(351,963)	(542,466)	(514,984)
Loans raised		3,312,711	1,970,240	6,513,384
Loan from/(repayment to) fellow subsidiaries		2,987,364	(577,233)	(657,707)
Repayment to immediate holding company		(252,724)	(79,487)	(956,320)
Advances from immediate holding company		-	390,000	395,953
Loan repayments		(398,714)	(1,457,104)	(5,418,097)
Repayment of finance lease obligations		(5,739)	(17,412)	(75,544)
Dividend paid to holding company	2.14	(600,000)	(700,000)	(900,000)
Dividend paid to non-controlling interests of subsidiaries	2.34	(64,496)	(176,655)	(60,049)
Net cash generated from/(used in) financing activities		4,626,439	(1,190,117)	(1,673,364)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(192,167)	(528,207)	41,046
Foreign exchange differences		105,272	62,132	36,062
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,189,310	1,102,415	636,340
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	2.30	1,102,415	636,340	713,448

Details of significant non-cash transactions during the financial year are set out in Note 2.47(d) to the consolidated financial statements.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

The consolidated financial statements of the Group for the financial year ended 30 June 2017 are the first set of consolidated financial statements prepared in accordance with MFRS, including MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards", MFRS 141 "Agriculture" and early adoption of MFRS 15 "Revenue from Contracts with Customers".

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 July 2014, being the transition date, and throughout all financial years presented, as if these policies had always been in effect. The impact of the transition to MFRS on the Group's reported financial position, financial performance and cash flows are disclosed in Note 2.50.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the summary of principal accounting policies in Note 2.2.

The preparation of consolidated financial statements in conformity with MFRS, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of the revenue and expenses during the reported period. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's consolidated financial statements are disclosed in Note 2.3.

During the financial year, the Group has considered the new accounting pronouncements in the preparation of the consolidated financial statements, as follows:

(a) Accounting pronouncements that are not yet effective and have not been early adopted in preparing these consolidated financial statements

(i) Interpretation and amendments that are effective on or after 1 July 2017, where their adoption is not expected to result in any significant changes to the Group's results or financial position

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses"
- Amendments to MFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to MFRS 4 "Applying MFRS 9 "Financial Instruments" with MFRS 4 "Insurance Contracts""
- Annual Improvements to MFRSs 2014 - 2016
- Amendments to MFRS 140 "Clarification on 'Change in Use' – Assets transferred to, or from, Investment Properties"
- IC Interpretation 22 "Foreign Currency Translations and Advance Consideration"

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of preparation (continued)

During the financial year, the Group has considered the new accounting pronouncements in the preparation of the consolidated financial statements, as follows (continued):

(a) Accounting pronouncements that are not yet effective and have not been early adopted in preparing these consolidated financial statements (continued)

(ii) Standards where the Group is currently assessing and has yet to quantify the potential impact

- MFRS 9 "Financial Instruments"

  MFRS 9 replaces MFRS 139 "Financial Instruments: Recognition and Measurement". The standard introduces new requirements for classification and measurement, impairment and hedge accounting, and will be effective for annual reporting periods beginning on or after 1 January 2018.

- MFRS 16 "Leases"

  MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. MFRS 16 will be effective for annual reporting periods beginning on or after 1 January 2019.

- IC Interpretation 23 "Uncertainty over Income Tax Treatments"

  IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective from 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

(iii) The effective date for the following amendments has been deferred to a date to be determined by MASB

- Amendments to MFRS 10 and MFRS 128 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies

The following significant accounting policies have been applied consistently in dealing with items that are considered material in relation to the consolidated financial statements, and to all the financial years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries made up to the end of the financial year and are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(i) Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group has power over the entity, has exposure to or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated using the acquisition method except for those subsidiaries acquired under common control. Under the acquisition method, subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date when control ceases. The consideration is measured at the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange.

Contingent consideration is recorded at fair value as component of the purchase consideration with subsequent adjustment resulting from events after the acquisition date taken to profit or loss. Acquisition related costs are recognised as expenses when incurred.

Existing equity interests in the acquiree are re-measured to fair value at the date of business combination with any resulting gain or loss taken to profit or loss.

Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at their fair values, at the date of acquisition. The excess of the consideration and the fair value of previously held equity interests over the Group's share of the fair value of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. Any gain from bargain purchase is recognised directly in profit or loss.

Intercompany transactions and balances are eliminated on consolidation, but unrealised losses arising therefrom are eliminated only to the extent of the cost of the asset that can be recovered, and the balance is recognised in profit or loss as a reduction in net realisable value or as impairment loss.

Non-controlling interests in the results and net assets of non-wholly owned subsidiaries are presented separately in the consolidated financial statements. Transactions with owners of non-controlling interests without a change in control are treated as equity transactions in the consolidated statements of changes in equity.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

When control ceases, the disposal proceeds and the fair value of any retained investment are compared to the Group's share of the net assets disposed. The difference together with the carrying amount of allocated goodwill and the exchange reserve that relate to the subsidiary is recognised as gain or loss on disposal.

(ii) Business combinations under common control

Business combinations under common control are accounted for using the predecessor method of accounting where profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later).

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare consolidated financial statements.

The difference in cost of acquisition over the aggregate carrying value of the assets and liabilities of the combining entities as of the date of the combination is taken to equity. Transaction costs for the combination are recognised in profit or loss.

(iii) Joint ventures

Joint ventures are separate vehicles in which the Group has rights to its net assets and where its strategic, financial and operating decisions require unanimous consent of the Group and one or more parties sharing the control.

Joint ventures are accounted using the equity method. Equity method is a method of accounting whereby the investment is recorded at cost inclusive of goodwill and adjusted thereafter for the Group's share of the post-acquisition results and other changes in the net assets of the joint ventures based on their latest audited financial statements or management accounts. Where necessary, adjustments are made to the financial statements of joint ventures used by the Group in applying the equity method to ensure consistency of accounting policies with those of the Group.

After application of the equity method, the carrying amount of the joint ventures will be assessed for impairment. Equity method is discontinued when the carrying amount of joint venture reaches zero, or reaches the limit of the obligations in the case when the Group has incurred legal or constructive obligations in respect of the joint venture.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Joint ventures (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated on the same basis but only to the extent of the costs that can be recovered, and the balance that provides evidence of reduction in net realisable value or an impairment of the assets transferred are recognised in profit or loss.

When joint control ceases, the disposal proceeds and the fair value of any retained investment are compared to the carrying amount of the joint venture. The difference together with the exchange reserve that relate to the joint venture is recognised as gain or loss on disposal. In the case of partial disposal without losing joint control, the difference between the proceeds and the carrying amount disposed, and the proportionate exchange reserve is recognised as gain or loss on disposal.

(iv) Associates

Associates are entities in which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions, but not control over those policies.

Investments in associates are accounted for using the equity method, similar to Note 2.2(a)(iii) above.

(b) Foreign currencies

(i) Presentation and functional currency

Items included in the financial statements of each of the Group's entities 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 the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions and monetary items are translated into the functional currency using the exchange rates prevailing at the transaction dates and at the end of the reporting period, respectively. Foreign exchange differences arising therefrom and on settlement are recognised in profit or loss.

Foreign exchange differences arising from the translation of a monetary item designated as hedge of net investment in a foreign operation recognised in other comprehensive income in the consolidated financial statements until the net investment is disposed.

(iii) Translation of foreign currency financial statements

For consolidation purposes, foreign operations' results are translated into the Group's presentation currency at average exchange rates for the financial year whilst the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at exchange rates ruling at the end of the reporting period. The resulting translation differences are recognised in other comprehensive income and accumulate in exchange reserve.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(b) Foreign currencies (continued)

(iii) Translation of foreign currency financial statements (continued)

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future, are treated as part of the parent's net investment. Translation differences arising therefrom are recognised in other comprehensive income and reclassified from equity to profit or loss upon repayment or disposal of the relevant entity.

Exchange reserve in respect of a foreign operation is recognised to profit or loss when control, joint control or significant influence over the foreign operation is lost. On partial disposal without losing control, a proportion of the exchange reserve in respect of the subsidiary is re-attributed to the non-controlling interests. The proportionate share of the cumulative translation differences is reclassified to profit or loss in respect of all other partial disposals.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of an asset. The carrying amount of the replaced part is derecognised and all repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

All costs directly related to bearer plants are capitalised until such time as the bearer plants reach maturity, at which point all further costs are expensed and depreciation commences. Such costs include seedling and planting costs, other upkeep costs, and an allocation of overhead costs.

Freehold land is not depreciated as it has indefinite life. Depreciation commences when the bearer plants mature or when the assets under constructions are ready for their intended use. Other property, plant and equipment are depreciated on a straight-line basis to write down the cost or valuation of each asset to their residual values over their estimated useful life. The principal annual depreciation rates are:

Leasehold land	over the lease period ranging from 50 to 999 years
Buildings	2% to 5%, or over the lease term, if shorter
Bearer plants	
- Oil palm	22 years, or the lease term if shorter
- Rubber	24 years, or the lease term if shorter
- Growing canes	5 years, or the lease term if shorter
Plant and machinery	2.5% to 20%, or over the lease term, if shorter
Vehicles, equipment and fixtures	10% to 33.3%

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are tested for impairment whenever indication of impairment exists as disclosed in Note 2.2(l)(i) on impairment of non-financial assets.

(d) Investment properties

Investment properties are land and buildings held for rental income and/or capital appreciation which are not substantially occupied or intended to be occupied for use by, or in the operations of the Group.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land and buildings under construction are not depreciated. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life.

The principal annual depreciation rates are:

Leasehold land	over the lease period ranging from 50 to 99 years
Buildings	2% to 5%, or over the lease term, if shorter

The residual values and useful lives are reviewed, and adjusted if appropriate, annually. Investment properties are tested for impairment whenever indication of impairment exists, see Note 2.2(l)(i) on impairment of non-financial assets.

(e) Biological assets

Biological assets comprised cattle livestock and produce growing on bearer plants. Biological assets are measured at fair value less costs of disposal. Any gains or losses arising from changes in the fair value less costs of disposal are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested and livestock that are expected to be sold or used for production on a date not more than 12 months after the reporting date, and the balance is classified as non-current.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Prepaid lease rentals

Prepaid lease rentals represent payments for rights to use land over a pre-determined period that is accounted for as an operating lease and is stated at cost less amount of accumulated amortisation and accumulated impairment losses.

The prepaid lease rentals are amortised on a straight-line basis over the lease period ranging generally from 2% to 5% per annum.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration and the fair value of previously held interests over the Group's share of the fair value of identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. Goodwill on acquisition of joint ventures and associates is included as part of the cost of investments in joint ventures and associates. Such goodwill is tested for impairment as part of the overall net investment in each joint venture and associate.

(ii) Research and development costs

Research costs are charged to profit or loss in the financial year in which the expenditure is incurred.

Internally generated agriculture development costs are capitalised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Intangible assets (continued)

(ii) Research and development costs (continued)

Subsequently, such capitalised development costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis between 5 to 20 years. The useful life will be reviewed and adjusted, if appropriate, annually. Impairment testing is performed annually on development activities which have not entered commercial production. Development activity is also tested for impairment whenever indication of impairment exists. See Note 2.2(l)(i) on impairment of non-financial assets.

Development costs previously recognised as an expense in profit and loss are not recognised as an asset in subsequent period.

(iii) Smallholder relationships

Smallholder relationships have arisen on the acquisition of subsidiaries. These assets reflect the economic relationship between Group and the smallholders who cultivate and harvest fresh fruits bunches on land owned by the smallholders. These assets are shown at fair value on acquisition of subsidiaries and subsequently subject to amortisation on a straight line basis over the estimated average remaining lease term of the Group's land of 45 years. The smallholder relationships are tested for impairment whenever indication of impairment exists.

(iv) Computer software

Expenditure on computer software that is not an integral part of the related hardware is treated as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their estimated useful lives. The annual amortisation rates range from 10% to 33.3%. Projects in progress are not amortised as these computer softwares are not yet available for use.

(v) Intellectual property rights

Intellectual property rights acquired from third parties are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their estimated useful life of 20 years.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Intangible assets (continued)

(vi) Other intangible assets

Other intangible assets with finite useful lives are capitalised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their contractual periods or estimated useful lives. The principal annual amortisation rates are:

Brand names and trademarks	5% to 20%
Assets usage rights	7%
Customer relationships	Contract periods ranging from 10 months to 10 years

These intangible assets are tested for impairment whenever indication of impairment exists. See Note 2.2(l)(i) on impairment of non-financial assets.

(h) Non-current assets held for sale

Non-current assets or groups of assets are classified as "held for sale" if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Depreciation ceases when an asset is classified as a non-current asset held for sale. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

(i) Inventories

Inventories comprise palm oil products, sugar stocks, raw materials, trading inventories, consumables and spare parts. Inventories are stated at the lower of cost and net realisable value. The cost of raw materials, trading inventories and consumable stores represents cost of purchase plus incidental costs, and in the case of other inventories, includes cost of materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

Costs for palm oil products and sugar stocks includes all direct expenses, an appropriate proportion of manufacturing overheads and the fair value attributed to agriculture produce at year end in accordance with MFRS 141. The fair value of biological assets harvested from the Group's own plantations and sold during the year are recorded as part of the biological asset movement (Note 2.18) and as part of "fair value changes in biological assets (net)" in determining profit.

The cost of inventories is determined on a weighted average basis whilst net realisable value is the estimated selling price in the ordinary course of business, less estimated cost to completion and estimated selling expenses.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Financial assets

The Group's financial assets are classified into four categories and the accounting policies for each of these categories are as follows:

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

Quoted warrants and non-hedging derivative assets are financial assets held for trading, and are classified as fair value through profit or loss. These financial assets are measured at fair value. Any gain or loss arising from changes in fair value and transaction costs are recognised in profit or loss.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. These financial assets are recorded at fair value plus transaction costs and thereafter, they are measured at amortised cost using the effective interest method less accumulated impairment losses.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the two preceding categories. These financial assets are recorded initially at fair value plus transaction costs and thereafter, they are measured at fair value. Except for impairment, foreign exchange differences on translation of monetary available-for-sale financial assets such as debt instruments, interest calculated using the effective interest method and dividends which are recognised in profit or loss, any gain or loss arising from changes in fair value are recognised in other comprehensive income. On derecognition, the cumulative gain or loss is reclassified from available-for-sale reserve to profit or loss.

(iv) Derivatives and hedging activities

The accounting policy for derivatives used for hedging activities is disclosed in Note 2.2(k).

Financial assets are classified as current assets for those having maturity dates of not more than 12 months after the end of the reporting period, and the balance is classified as non-current. For available-for-sale financial assets, the classification is based on expected date of realisation of the assets.

Regular way purchase or sale of a financial asset is recognised on the settlement date which is the date that an asset is delivered to or by the Group. A contract that requires or permits net settlement of the change in the value of the contract is not a regular way contract. Such contract is accounted for as a derivative in the period between the trade date and the settlement date.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Derivatives and hedging activities

Derivatives are measured at fair value. A derivative that is neither designated nor an effective hedging instrument is categorised under fair value through profit or loss and changes in its fair value is recognised in profit or loss. In the case of a derivative that qualifies for cash flow hedge, the effective portion of changes in its fair value is recognised in other comprehensive income.

The gain or loss is removed from equity and included in profit or loss in the same period or periods during which the hedged item affects profit or loss. In the case of a hedge of a forecast transaction which results in the recognition of a non-financial asset or a non-financial liability, the gain or loss is removed from equity and included in the carrying amount of the asset or liability.

When a derivative expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss within other gains and losses.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives are classified as current asset or current liability for those having maturity dates of not more than 12 months after the reporting date, and the balance is classified as non-current.

(l) Impairment

Goodwill and other intangible assets that have an indefinite useful life or are not yet available for use are tested for impairment. Other non-financial assets are assessed for indication of impairment. If an indication exists, an impairment test is performed. In the case of financial assets, investment in subsidiaries and interest in joint ventures and associates, they are assessed for objective evidence of impairment.

This exercise is performed annually and whenever events or circumstances occur indicating that impairment may exist. The recognition and measurement of impairment are as follows:

(i) Non-financial assets

An impairment loss is recognised for the amount by which the carrying amount of the non-financial asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Impairment loss on non-financial assets is charged to profit or loss.

Except for goodwill, assets that were previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period. Any subsequent increase in recoverable amount is recognised in profit or loss. Reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior financial years.

An impairment loss recognised for goodwill is not reversed.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Impairment (continued)

(ii) Joint ventures and associates

An impairment loss is recognised for the amount by which the carrying amount of the joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Any subsequent increase in recoverable amount is recognised in profit or loss.

(iii) Loans and receivables

Loans and receivables are assessed individually and thereafter collectively for objective evidence of impairment. If 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 asset's original effective interest rate. The impairment loss is recognised in profit or loss. Reversal of impairment loss to profit or loss, if any, is restricted to not exceeding what the amortised cost would have been had the impairment not been recognised previously.

(iv) Available-for-sale financial assets

A significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost indicates that the assets are impaired. If such evidence exists, the decline in fair value together with the cumulative loss recognised in other comprehensive income, if any, is taken to profit or loss. An impairment loss recognised for equity instrument is not reversed through profit and loss. Reversal of impairment losses through profit or loss is made only if the financial asset is a debt instrument and the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(m) Share capital and Perpetual Sukuk

(i) Share capital

Proceeds from ordinary shares issued are accounted for as share capital in equity. Costs directly attributable to the issuance of new shares are deducted from equity.

Dividends to the equity holder of the Company and non-controlling interests are recognised in the consolidated statements of changes in equity in the period in which they are declared.

(ii) Perpetual Sukuk

Perpetual Sukuk is classified as equity instrument as there is no contractual obligation to redeem the instrument. Costs directly attributable to the issuance of the instrument, net of tax, are treated as a deduction from the proceeds.

Perpetual Sukuk holders' entitlement is accounted for as an appropriation in profit or loss and distribution is recognised in the consolidated statements of changes in equity in the period in which it is declared

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, where the outflow of resources is probable and can be reliably estimated. Provisions are measured at the present value of the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the services are rendered by employees.

(ii) Defined contribution pension plans

A defined contribution pension plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has various defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. The Group's contributions to defined contribution pension plans are charged to profit or loss in the financial year in which they relate.

(iii) Defined benefit pension plans

A defined benefit pension plan is a pension plan that is not a defined contribution pension plan. Typically defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group has various defined benefit pension plans, some of which are funded by payments from the relevant group of companies in various countries. The Group's defined benefit pension plans are determined based on a periodic actuarial valuation by external consultants where the amount of the benefits that eligible employees have earned in return for their services in the current and prior financial years are estimated.

The liabilities in respect of the defined benefit pension plans are the present value of the defined benefit obligations at the end of the reporting period, adjusted for actuarial gains and losses and past service costs, and reduced by the fair value of the plan assets. The defined benefit obligations, calculated using the Projected Unit Credit Method, are determined by independent actuaries, considering the estimated future cash outflows.

Actuarial gains or losses arising from market adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of a proposal to encourage voluntary redundancy.

(v) Share-based compensation

Sime Darby Berhad, the Company's immediate holding company, operates an equity-settled, share-based compensation plan (Performance-based Employee Share Scheme or PBESS) for the employees of Sime Darby Berhad Group.

Employee services received by the Group in exchange for the grant of Sime Darby Berhad's shares are recognised as an expense in profit or loss over the vesting period of the grant with a corresponding increase in equity (as capital contribution). Where the share grants are subsequently recharged to the Group by Sime Darby Berhad, the amounts are debited against the equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

Non-market vesting conditions are included in the assumptions to arrive at the number of shares that are expected to vest. At the end of the reporting period, Sime Darby Berhad revises its estimates of the number of shares that are expected to vest. The impact of the revision of original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity or in the amount recharged to the Group.

Recharges made in respect of the fair value of shares granted to employees of the Group are accounted for as employee share scheme costs payable to the immediate holding company.

(vi) Other long-term employee benefits

Other long-term employee benefits such as deferred compensation payable twelve months or more after the service period are calculated based on the Group's policy using the same methodology as other post-employment benefits.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(p) Financial liabilities

The Group's financial liabilities are classified into four categories and the accounting policies for each of these categories are as follows:

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

Financial liabilities are classified as fair value through profit or loss if they are held for trading. Derivatives are categorised as held for trading unless they are designated and are effective hedging instruments. The Group does not have any financial liabilities designated as fair value through profit or loss upon initial recognition.

(ii) 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 at fair value plus transaction costs and thereafter, at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amounts initially recognised less cumulative amortisation recognised.

(iii) Other financial liabilities

Payables, amounts due to fellow subsidiaries, borrowings and finance lease liabilities are recognised initially at fair value plus transaction costs and thereafter, at amortised cost using the effective interest method. Amortisation is charged to profit or loss.

(iv) Derivatives and hedging activities

The accounting policy for derivatives used for hedging activities is disclosed in Note 2.2(k).

Financial liabilities are classified as current liabilities for those having maturity dates of not more than 12 months after the reporting date, and the balance is classified as non-current.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(q) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments (with original maturities of three months or less) and are subject to an insignificant risk of changes in value, net of bank overdrafts. In the consolidated statements of financial position, bank overdrafts are included in short-term borrowings.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of those assets until the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the consolidated statements of profit or loss in the financial year in which they are incurred.

(s) Taxation

Taxation comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised in other comprehensive income.

The current income tax charge is the expected income taxes payable in respect of the taxable profit for the financial year and is measured using the applicable tax rates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements including those arising from business combination. Deferred tax is not recognised on goodwill and those arising from initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is recognised on temporary differences arising on investments in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(t) Deferred income

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants are treated as deferred income and allocated to profit or loss over the useful lives of the related assets or over the period of the operating expenditure to which the grants are intended to compensate.

Freight income is deferred and recognised over the period when the services are rendered.

(u) Revenue recognition

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

<u>Sales of agricultural produce and refined palm oil related products</u>

The Group's revenue is derived mainly from its upstream and downstream operations.

In the upstream operations, the Group sells agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), palm kernel ("PK"), rubber, beef and sugar. In the downstream operations, revenue is derived from sales of refined palm oil related products and provision of freight and tolling services.

Revenue from sales of agricultural produce and refined palm oil related products are recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer; or upon delivery of the goods on board vessels or tankers for onward delivery to the customer.

Contracts where control of goods transfer to the customer upon delivery of the goods on board vessels or tankers are often bundled with freight services. In such contracts, sale of goods and provision of freight are accounted for as separate performance obligations as the customer can benefit from the sale of goods and shipping services on its own or with the use of other resources. The transaction price is allocated to each performance obligation based on the stand-alone selling prices of the goods and services.

There is no element of financing present as the Group's sale of goods are either on cash terms (immediate payments or advance payments not exceeding 30 days); or on credit terms of up to 30 days. The Group's obligation to provide quality claims against off-spec goods under the Group's standard contractual terms is recognised as a provision.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(u) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

Rendering of services – Provision of freight, tolling and other services

Revenue from provision of freight is recognised in the accounting period in which services are rendered. In cases where customers pay for the bundled contract in advance to the rendering of the freight services, a deferred income is recognised.

Revenue from the provision of tolling services is recognised in the period in which the manufacturing activities are performed. There is no element of financing present as the sales is made with credit terms of up to 30 days.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:

- Rental income - recognised on a straight-line basis over the lease terms.
- Dividend income - recognised when the right to receive payment is established.

(v) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals on operating leases accounted by the lessee are charged to profit or loss on a straight-line basis over the lease term.

(w) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. The assets are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the respective leases. The corresponding liabilities are classified as finance lease obligation by the lessee.

Lease payments are allocated between the finance charges and finance lease obligation. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining finance lease obligation.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(x) Commodity future and forward contracts

Commodity future and forward contracts are entered into by the Group to manage exposure to adverse movements in vegetable oil prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's expected purchase, sale or usage requirements. Accordingly, such contracts are deemed not to be financial instruments. Gains or losses arising from these contracts are deferred and included in the measurement of the purchase or sale transactions only upon recognition of the anticipated transactions.

Contracts entered other than for the purpose of the receipt or delivery of physical commodity are treated as derivatives.

(y) Contingent liabilities

The Group does not recognise contingent liabilities, but discloses their existence in the notes to the consolidated financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

(z) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to management for the allocation of resources and assessment of its performance. The Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment revenue, expense, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. They are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group companies within a single segment. Intragroup transactions which in substance represent re-allocation of non-current assets from a segment to another segment are also eliminated. Inter-segment pricing is based on similar terms as those available to external parties.

(aa) Fair value estimation

Fair values shown in the consolidated financial statements are categorised into three different levels to increase consistency and comparability in fair value measurements. The levels of hierarchy are based on the input used to measure the fair value of an asset or a liability. The hierarchy based on highest to the lowest priority is as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities
Level 2 - valuation inputs (other than Level 1 input) that are observable for the asset or liability, either directly or indirectly
Level 3 - valuation inputs that are not based on observable market data

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Critical accounting estimates and judgement in applying accounting policies

The preparation of consolidated financial statements in conforming with MFRS requires the use of certain critical accounting estimates that involve complex and subjective judgements and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. The Directors exercise their judgement in the process of applying the Group's accounting policies. Estimates and assumptions are based on the Directors' best knowledge of current events. Such estimates and judgement could change from period to period and have a material impact on the results, financial position, cash flows and other disclosures.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Impairment of non-financial assets

The Group assesses whether there is any indication that the non-financial assets are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of an asset with its recoverable amount. The recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical results and industry trends, general market and economic conditions, changes in technology and other available information. Changes to any of these assumptions may materially affect the amount of impairment.

The impairment and reversal of impairment on property, plant and equipment and intangible assets are disclosed in Notes 2.6(e) and 2.7 to the consolidated financial statements respectively.

(b) Taxation

(i) Income taxes

The Group has recognised certain tax recoverable for which the Group believes that there is a reasonable basis for recognition. Where the final tax outcome of this matter is different from the amount that was initially recorded, such difference may result in a material adjustment to the carrying amount of the tax recoverable balance recorded in the period in which such determination is made. Total tax recoverable balance for the Group as at 30 June 2017 is RM718 million (30 June 2016: RM455 million, 30 June 2015: RM417 million, 1 July 2014: RM267 million) as disclosed in Note 2.25 to the consolidated financial statements.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Critical accounting estimates and judgement in applying accounting policies (continued)

(b) Taxation (continued)

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences or unutilised tax losses and tax credits (including investment allowances) can be utilised. This involves judgement regarding future taxable profits of a particular entity within the Group in which the deferred tax asset has been recognised.

During the current financial year, the Group has recognised deferred tax assets arising from unutilised tax losses as disclosed in Note 2.24.

(c) Fair value of biological assets

The nature of Group's biological assets and the basis of determination of their fair value is explained in Note 2.18.

(i) Oil palm

The Group attributes a fair value on the fresh fruit bunches ("FFB") at each statement of financial position date as required under MFRS 141 "Agriculture". FFB are produce of oil palm trees and are harvested continuously throughout the financial year to be used in the production of crude palm oil ("CPO"). Each FFB takes approximately 22 weeks from pollination to reach maximum oil content to be ready for harvesting. The values of each FFB at each point of the FFB production cycle will vary based on the cumulative oil content in each fruit.

In determining the fair values of FFB, management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 2 weeks prior to harvest, the FFB prior to 2 weeks before harvesting are excluded in the valuation as the fair values are considered negligible.

The valuation model adopted by the Group is a discounted cash flows model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest.

If the selling prices of FFB or tonnage changed by 10%, the Group's fair value changes in FFB would have increased or decreased by approximately RM20.5 million (2016: RM15.8 million, 2015: RM20.4 million) and RM17.3 million (2016: RM13.5 million, 2015: RM17.1 million), respectively.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Critical accounting estimates and judgement in applying accounting policies (continued)

(c) Fair value of biological assets (continued)

(ii) Growing canes

The determination of fair value for the Group's growing canes requires estimates to be made of the anticipated canes harvest, its age and condition at the statement of financial position date, the sucrose content to be extracted and sugar prices. The anticipated canes harvest is based on management's historical records, current planting statistics and production forecast. Fair value of the harvested canes is based on the accepted industry benchmark of allocating the fair value of sugar production between the fair value attributable to the canes grower and the value attributable to the miller. The fair value of the growing canes at the statement of financial position date is based on the estimated fair value of the growing canes less further costs to be incurred in growing and harvesting the canes up to the point of harvest and contributory asset charges.

If the estimated harvest volume of canes increased or decreased by 10%, fair value changes in growing canes would have increased or decreased by approximately RM6.6 million (2016: RM10.0 million, 2015: RM7.5 million) accordingly.

(d) Purchase price allocation

Purchase prices related to business combinations and asset acquisitions are allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Group's reported assets and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests.

The acquisition accounting values recognised for intangible assets and deferred tax assets arising from the acquisitions made during the financial year ended 30 June 2015 are presented in Note 2.42.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information

SD Plantation is a globally integrated plantation company, which is involved in the entire span of the palm oil value chain, from upstream to downstream activities, research and development (R&D), renewables and agribusiness. The Group is also involved in rubber and sugar cane plantations as well as beef cattle industry.

The Group's management has determined the operating segments based on information reviewed by the Group's Plantation Management Committee ("PMC") which consists of the Group's Managing Director ("MD"), Group Chief Financial Officer ("CFO") and other key management personnel for the purposes of allocating resources and assessing performance.

Management separately evaluates the performance of the upstream segment by geographical locations. Although the Upstream Liberia segment does not meet the quantitative threshold as a reportable segment, the segment remains closely monitored by the PMC as it is considered to potentially contribute positively to the Group's results in the future.

The downstream segment is evaluated based on the nature of the products and services, specific expertise and technologies requirement of individual operating units. These operating units have been reported as a single segment as the disaggregation does not meet the quantitative thresholds for separate disclosures, and may exceed the practical limit of a reportable segment. The other business activities of the Group are excluded from the reportable operating segments due to the insignificance of the activities to the Group, and are combined and disclosed as other operations.

Segments comprised:

Upstream Malaysia	developing, cultivating and managing oil palm and rubber plantation estates and milling of fresh fruit bunches (FFB) into crude palm oil (CPO) and palm kernel (PK); processing and sales of rubber.
Upstream Indonesia	developing, cultivating and managing oil palm plantation estates and milling of FFB into CPO and PK.
Upstream Papua New Guinea ("PNG")	developing, cultivating and managing oil palm, and sugar cane plantation estates; milling of FFB into CPO and PK, processing and sales of rubber and sugar cane; cattle rearing and beef production.
Upstream Liberia	developing, cultivating and managing oil palm plantation estates and milling of FFB into CPO and PK.
Downstream	production and sales of refined oils and fats (which includes specialty and end-user oils and fats); and production and sales of biodiesel products and derivatives.
Other operations	other operations including trading of agricultural products and services, production and/or sale of oil palm seeds and seedlings, sales of oleochemicals products, research and breeding programmes of oil palm and rubber with special focus on genome science; and renewables business with a focus on development of green technology and renewable energy which includes bio-based chemicals, biogas and composting.

Note:
(i) Fresh fruit bunches (FFB), being the oil palm fruits which grow in bunches on oil palm trees, from which CPO, PK and CPKO are obtained.

(ii) Crude palm oil (CPO), which is the oil extracted from the fibrous outer layer (mesocarp) of the oil palm fruit.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(a) Segment results

	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
2015								
Segment revenue								
External	1,131,668	1,231,008	521,508	-	7,354,985	64,872	-	10,304,041
Inter-segment	2,460,832	777,863	-	-	6,913	268,499	(3,514,107)	-
	3,592,500	2,008,871	521,508	-	7,361,898	333,371	(3,514,107)	10,304,041
Segment results								
Operating profit/(loss)	880,995	462,163	132,502	(10,296)	69,514	36,039	-	1,570,917
Share of results of joint ventures and associates	-	-	-	-	-	(33,317)	-	(33,317)
Profit/(loss) before interest and tax	880,995	462,163	132,502	(10,296)	69,514	2,722	-	1,537,600
Finance income	8,808	56,320	10	-	1,318	19,061	-	85,517
Finance costs	(290,490)	(1,126)	(8,322)	-	(3,233)	(4,023)	-	(307,194)
Profit before tax	599,313	517,357	124,190	(10,296)	67,599	17,760	-	1,315,923
Tax expense	(70,865)	(101,121)	(29,709)	-	(20,774)	(62,008)	-	(284,477)
Profit for the financial year	528,448	416,236	94,481	(10,296)	46,825	(44,248)	-	1,031,446

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(a) Segment results (continued)

2015 (continued)	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
Included in the operating profit/(loss) are:								
Raw materials and consumables (Note 2.6(a))	151,266	316,443	69,552	-	2,880,965	6,362	-	3,424,588
Employee costs (Note 2.6(a))	948,357	538,364	107,790	27,103	196,006	72,000	-	1,889,620
Depreciation and amortisation (Note 2.6(a))	362,481	190,625	133,271	9,965	85,105	16,557	-	798,004
Impairment losses of property, plant and equipment and receivables (Note 2.6(c))	-	2,394	-	-	14,494	-	-	16,888
Reversal of impairment losses of property, plant and equipment, trade and other receivables (Note 2.7)	-	-	-	-	-	(1,279)	-	(1,279)
Gain on disposal of property, plant and equipment (Note 2.7)	(300,389)	-	-	-	-	(100)	-	(300,489)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(a) Segment results (continued)

	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
2016								
Segment revenue								
External	482,866	863,994	1,142,876	470	9,389,524	66,734	-	11,946,464
Inter-segment	2,958,939	897,595	294,253	-	19,023	277,616	(4,447,426)	-
	3,441,805	1,761,589	1,437,129	470	9,408,547	344,350	(4,447,426)	11,946,464
Segment results								
Operating profit/(loss)	973,348	133,023	(86,694)	(17,869)	220,827	45,323	-	1,267,958
Share of results of joint ventures and associates	-	-	-	-	-	(8,589)	-	(8,589)
Profit/(loss) before interest and tax	973,348	133,023	(86,694)	(17,869)	220,827	36,734	-	1,259,369
Finance income	6,273	13,337	-	-	3,171	20,982	-	43,763
Finance costs	(422,476)	-	(19,938)	-	(5,597)	(16,082)	-	(464,093)
Profit before tax	557,145	146,360	(106,632)	(17,869)	218,401	41,634	-	839,039
Tax (expense)/credit	(76,902)	267,987	9,662	-	(23,117)	(13,734)	-	163,896
Profit for the financial year	480,243	414,347	(96,970)	(17,869)	195,284	27,900	-	1,002,935

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(a) Segment results (continued)

	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
2016 (continued)								
Included in the operating profit/(loss) are:								
Raw materials and consumables (Note 2.6(a))	208,824	290,857	208,651	579	3,140,062	8,996	-	3,857,969
Employee costs (Note 2.6(a))	982,067	617,079	386,737	12,307	196,484	66,906	-	2,261,580
Depreciation and amortisation (Note 2.6(a))	376,261	170,987	465,105	5,284	92,006	14,813	-	1,124,456
Impairment losses property, plant and equipment, intangible assets and receivables (Note 2.6(e))	2,811	9,772	-	-	279	-	-	12,862
Reversal of impairment losses of receivables (Note 2.7)	-	-	(19,641)	-	-	-	-	(19,641)
Gains on disposals of: property, plant and equipment and non-current assets held for sale (Note 2.7)	(214,127)	-	-	-	(1,382)	-	-	(215,509)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(a) Segment results (continued)

2017	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
Segment revenue								
External	789,462	966,818	1,872,220	11,446	11,079,398	60,037	-	14,779,381
Inter-segment	3,432,630	1,285,725	579,861	-	58,982	242,054	(5,599,252)	-
	4,222,092	2,252,543	2,452,081	11,446	11,138,380	302,091	(5,599,252)	14,779,381
Segment results								
Operating profit/(loss)	3,668,093	502,833	428,907	(322,239)	232,703	27,573	-	4,537,870
Share of results of joint ventures and associates	-	-	-	-	-	(82,535)	-	(82,535)
Profit/(loss) before interest and tax	3,668,093	502,833	428,907	(322,239)	232,703	(54,962)	-	4,455,335
Finance income	10,460	12,739	128	-	3,862	20,297	-	47,486
Finance costs	(434,560)	-	(12,573)	-	(9,823)	(14,902)	-	(471,858)
Profit before tax	3,243,993	515,572	416,462	(322,239)	226,742	(49,567)	-	4,030,963
Tax expense	(210,680)	(108,411)	(122,486)	-	(27,208)	(10,268)	-	(479,053)
Profit for the financial year	3,033,313	407,161	293,976	(322,239)	199,534	(59,835)	-	3,551,910

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(a) Segment results (continued)

	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
2017 (continued)								
Included in the operating profit/(loss) are:								
Raw materials and consumables (Note 2.6(a))	484,411	727,382	233,613	1,750	3,175,853	28,386	-	4,651,395
Employee costs (Note 2.6(a))	994,450	619,163	622,503	45,429	236,304	81,278	-	2,599,127
Depreciation and amortisation (Note 2.6(a))	338,216	238,368	535,211	21,624	98,120	15,133	-	1,246,672
Impairment losses of property, plant and equipment and trade and other receivables (Note 2.6(e))	23	4,142	410	202,348	16,056	86	-	223,065
Reversal of impairment losses of receivables (Note 2.7)	-	(620)	-	-	-	-	-	(620)
(Gains)/losses on disposals of property, plant and equipment (Note 2.7)	(2,546,353)	(14,686)	339	-	(1,630)	(398)	-	(2,562,728)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(b) Segment assets and liabilities and additions to non-current assets

	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
1 July 2014								
Segment assets								
Operating assets	9,204,243	3,479,155	-	318,235	2,698,171	563,598	-	16,263,402
Joint ventures and associates	-	-	-	-	-	562,545	-	562,545
	9,204,243	3,479,155	-	318,235	2,698,171	1,126,143	-	16,825,947
Segment liabilities								
Liabilities	4,480,636	60,712	-	17,560	1,640,404	937,851	-	7,137,163
	4,480,636	60,712	-	17,560	1,640,404	937,851	-	7,137,163
Additions to non-current assets are as follows:								
Capital expenditure	417,244	287,242	-	116,805	40,288	19,492	-	881,071
Additions to interest in joint ventures and associates	-	-	-	-	-	85,563	-	85,563

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(b) Segment assets and liabilities and additions to non-current assets (continued)

	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
30 June 2015								
Segment assets								
Operating assets	8,772,626	4,203,572	8,227,975	455,270	3,960,295	637,330	-	26,257,068
Joint ventures and associates	-	-	-	-	-	653,281	-	653,281
Assets held-for-sale	-	-	-	-	-	10,712	-	10,712
	8,772,626	4,203,572	8,227,975	455,270	3,960,295	1,301,323	-	26,921,061
Segment liabilities								
Liabilities	9,353,384	578,704	106,011	6,532	563,993	66,110	-	10,674,734
	9,353,384	578,704	106,011	6,532	563,993	66,110	-	10,674,734
Additions to non-current assets are as follows:								
Capital expenditure	677,524	316,643	44,710	75,657	61,326	24,936	-	1,200,796
Additions to interest in joint ventures and associates	-	-	-	-	-	90,597	-	90,597

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(b) Segment assets and liabilities and additions to non-current assets (continued)

30 June 2016	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
Segment assets								
Operating assets	9,748,281	4,211,227	7,526,914	572,746	3,963,247	691,967	-	26,714,382
Joint ventures and associates	-	-	-	-	-	684,111	-	684,111
Assets held for sale	93	-	-	-	3,769	-	-	3,862
	9,748,374	4,211,227	7,526,914	572,746	3,967,016	1,376,078	-	27,402,355
Segment liabilities								
Liabilities	8,991,572	470,940	120,008	5,100	549,593	45,678	-	10,182,891
	8,991,572	470,940	120,008	5,100	549,593	45,678	-	10,182,891
Additions to non-current assets are as follows:								
Capital expenditure	598,873	414,293	256,526	104,034	63,353	35,959	-	1,473,038
Additions to interest in joint ventures and associates	-	-	-	-	-	3,682	-	3,682

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(b) Segment assets and liabilities and additions to non-current assets (continued)

	Upstream Malaysia RM'000	Upstream Indonesia RM'000	Upstream PNG RM'000	Upstream Liberia RM'000	Downstream RM'000	Other operations RM'000	Inter-segment elimination RM'000	Total RM'000
30 June 2017								
Segment assets								
Operating assets	8,948,715	4,994,923	8,586,650	418,598	3,600,708	754,218	-	27,303,812
Joint ventures and associates	-	-	-	-	-	608,798	-	608,798
Assets held for sale	42,244	137,341	-	-	4,009	-	-	183,594
	8,990,959	5,132,264	8,586,650	418,598	3,604,717	1,363,016	-	28,096,204
Segment liabilities								
Liabilities	2,132,686	610,368	194,478	24,042	639,930	60,243	-	3,661,747
Liabilities directly associated with non-current assets held for sale	-	15,395	-	-	-	-	-	15,395
	2,132,686	625,763	194,478	24,042	639,930	60,243	-	3,677,142
Additions to non-current assets are as follows:								
Capital expenditure	731,579	492,240	415,311	34,679	93,520	24,332	-	1,791,661

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(b) Segment assets and liabilities and additions to non-current assets (continued)

Capital expenditure consists of the following:

	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
Property, plant and equipment	842,444	1,145,532	1,409,135	1,755,048
Prepaid lease rentals	13,746	4,984	452	1,093
Biological assets	-	-	22,504	-
Intangible assets other than goodwill	24,881	50,280	40,947	35,520
	881,071	1,200,796	1,473,038	1,791,661

Reconciliations of segment assets and liabilities to total assets and total liabilities are as follows:

	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
Assets				
Segment total	16,825,947	26,921,061	27,402,355	28,096,204
Tax assets	419,058	570,139	1,034,754	1,358,673
	17,245,005	27,491,200	28,437,109	29,454,877
Liabilities				
Segment total	7,137,163	10,674,734	10,182,891	3,677,142
Tax liabilities	813,294	2,427,686	2,556,105	2,863,386
Borrowings	598,679	4,776,704	5,522,365	7,737,927
Finance lease obligation	151,762	146,023	128,611	53,067
	8,700,898	18,025,147	18,389,972	14,331,522

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(c) Segment by geography

Revenue by location of customers is analysed as follows:

	2015 RM'000	2016 RM'000	2017 RM'000
Malaysia	2,815,767	2,775,144	3,364,130
Europe	1,916,438	3,055,874	3,228,061
India	1,409,713	1,855,993	2,814,295
Indonesia	1,257,293	906,857	1,100,193
Other countries in South East Asia	1,534,191	1,643,414	1,915,184
South Africa	611,824	581,521	684,397
Papua New Guinea/Solomon Island	119,060	235,423	340,024
China	187,558	403,329	321,066
Liberia	605	470	11,446
Other countries	451,592	488,439	1,000,585
	10,304,041	11,946,464	14,779,381

Non-current assets, other than financial instruments and tax assets, by location of the Group's operations are analysed as follows:

	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
Malaysia	8,860,491	9,155,358	9,435,733	9,486,852
Indonesia	2,609,622	3,402,366	3,847,856	4,264,694
Papua New Guinea/Solomon Island	-	7,493,879	7,601,537	7,563,198
Liberia	287,933	410,215	530,418	396,323
Other countries in South East Asia	128,407	248,218	259,630	282,362
China	77,332	37,077	26,999	34,866
Europe	369,363	328,454	491,876	494,207
South Africa	19,796	18,737	14,714	16,278
Other countries	16,787	17,811	15,180	89,043
	12,369,731	21,112,115	22,223,943	22,627,823

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 Segment information (continued)

(c) Segment by geography (continued)

Reconciliations of non-current assets, other than financial instruments and tax assets to the total non-current assets are as follows:

	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
Non-current assets other than financial instruments and tax assets	12,369,731	21,112,115	22,223,943	22,627,823
Available-for-sale investments	79,658	89,001	109,004	110,389
Deferred tax assets	151,773	152,867	580,060	640,812
Tax recoverable	238,335	334,173	407,016	332,700
Receivables	335,701	352,386	412,612	82,802
	13,175,198	22,040,542	23,732,635	23,794,526

The Group's operations are diverse in terms of the range of products and services it offers and the geographical coverage. There is no single customer that contributed 10% or more to the Group's revenue.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Revenue

The Group derives the following types of revenue:

	Notes	2015 RM'000	2016 RM'000	2017 RM'000
Revenue from contracts with customers	2.5(a)	10,286,271	11,930,343	14,764,419
Revenue from other sources	2.5(b)	17,770	16,121	14,962
Total revenue		10,304,041	11,946,464	14,779,381

(a) Disaggregation of revenue from contracts with customers

	2015 RM'000	2016 RM'000	2017 RM'000
Upstream			
- Malaysia	1,114,675	467,570	775,099
- Indonesia	1,231,008	863,994	966,818
- Papua New Guinea ("PNG")	521,508	1,142,876	1,872,220
- Liberia	-	470	11,446
Downstream	7,354,854	9,389,022	11,078,852
Other operations	64,226	66,411	59,984
	10,286,271	11,930,343	14,764,419

	2015 RM'000	2016 RM'000	2017 RM'000
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	10,162,554	11,772,136	14,553,581
Freight services	110,108	147,625	203,213
Tolling services	13,609	10,582	7,625
	10,286,271	11,930,343	14,764,419

	2015 RM'000	2016 RM'000	2017 RM'000
Timing of revenue recognition			
- at point in time	10,162,554	11,772,136	14,553,581
- over time	123,717	158,207	210,838
	10,286,271	11,930,343	14,764,419

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Revenue (continued)

(b) Revenue from other sources

	2015 RM'000	2016 RM'000	2017 RM'000
Dividends (gross) received/receivable from other investments	3,546	1,483	1,793
Rental income	14,224	14,638	13,169
	17,770	16,121	14,962

(c) Revenue expected to be recognised in relation to unsatisfied performance obligations

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially satisfied) as at 30 June 2017.

	Expected timing of recognition 2018 RM'000
Freight income (Note 2.40)	26,707

As permitted under the transition position in MFRS 15, the transaction price allocated to the unsatisfied (or partially satisfied) performance obligations as at 1 July 2014, 30 June 2015 and 30 June 2016 are not disclosed.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6 Operating expenses

	2015 RM'000	2016 RM'000	2017 RM'000
(a) Operating expenses include:			
Changes in inventories of finished goods and work in progress	(84,322)	212,660	286,375
Finished goods and work in progress purchased	726,452	840,799	876,657
Raw materials and consumables	3,424,588	3,857,969	4,651,395
Other direct costs of sales (Note 2.6(b))	1,442,260	1,586,614	2,042,246
Employee costs (Note 2.6(d))	1,889,620	2,261,580	2,599,127
Depreciation of:			
- property, plant and equipment (Note 2.6(c))	744,895	1,054,202	1,167,333
- investment properties (Note 2.17)	58	69	78
Amortisation of:			
- intangible assets (Note 2.22)	18,297	32,365	38,600
- prepaid lease rentals (Note 2.19)	34,754	37,820	40,661
Other operating expenses (Note 2.6(e))	988,652	1,246,833	1,288,551
	9,185,254	11,130,911	12,991,023

	2015 RM'000	2016 RM'000	2017 RM'000
(b) Other direct costs of sales include:			
Transport and handling charges	196,959	407,979	648,836
Commission fees	50,672	56,714	49,971
Upkeep, manuring, and collection expenses	702,699	494,203	636,437
Selling and distribution expenses	25,653	52,067	136,086
Mills and refineries maintenance expenses	365,991	331,729	277,552
Research expenses	1,328	1,605	1,516
Others	98,958	242,317	291,848
	1,442,260	1,586,614	2,042,246

	2015 RM'000	2016 RM'000	2017 RM'000
(c) Depreciation of property, plant and equipment			
Depreciation for the financial year (Note 2.16)	759,889	1,090,290	1,191,996
Depreciation capitalised to property, plant and equipment – immature bearer plants	(14,994)	(36,088)	(24,663)
Depreciation included in profit or loss (Note 2.6(a))	744,895	1,054,202	1,167,333

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6 Operating expenses (continued)

	2015 RM'000	2016 RM'000	2017 RM'000
(d) Employee costs include:			
Salaries, wages and bonus	1,287,021	1,749,342	2,086,800
Defined contribution plan	82,560	87,658	101,148
Retirement benefits (Note 2.37)	20,602	46,522	44,340
Employee share scheme	(845)	(13,518)	-
Termination benefits	22,983	17,149	26,006
Other employee benefits	477,299	374,427	340,833
	1,889,620	2,261,580	2,599,127

	2015 RM'000	2016 RM'000	2017 RM'000
(e) Other operating expenses include:			
Auditors' remuneration:			
- fees for statutory audits	9,054	10,274	11,437
- other than statutory audit services	3,772	2,123	5,055
Fair value changes in biological assets (net)	(30,601)	25,976	(23,391)
Impairment of:			
- property, plant and equipment (Note 2.16)	14,494	75	210,178
- intangible assets (Note 2.22)	-	3,015	-
- trade and other receivables (Note 2.26)	2,394	9,772	12,887
Bad debts written off	903	4,575	10,274
Intangible assets written off	-	-	2,166
Property, plant and equipment written off (Note 2.16)	31,588	25,645	57,646
Donations	49,316	45,641	30,399
Insurance charges	34,437	28,761	33,520
Information technology charges	68,134	68,885	80,293
Management fees to a fellow subsidiary	31,827	29,909	39,988
Loss on disposal of investment in subsidiary	638	-	-
Compensation for land transfer	-	-	16,670
Professional fees	71,433	49,909	87,866
Quit rent and assessment	34,083	41,127	65,347
Rental of premises	29,432	33,517	50,061
Repairs and maintenance	107,323	116,191	189,560
Telecommunication expenses	8,480	8,735	9,259
Travelling expenditure	43,475	45,500	59,825
Utilities expenditure	123,362	114,453	125,701
Inventories write-down	1,439	-	-

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.7 Other operating income

	2015 RM'000	2016 RM'000	2017 RM'000
Gains on disposals of:			
- property, plant and equipment	300,489	4,611	2,562,728
- non-current assets held for sale	-	210,898	-
Government grants/incentives	934	1,415	96
Insurance claims	1,339	8,323	13,041
Other comprehensive income	1,214	2,775	11,935
Reversal of impairment of:			
- property, plant and equipment (Note 2.16)	755	-	-
- trade and other receivables (Note 2.26)	524	19,641	620
Reversal of accruals for claims	173	4,060	-
Reversal of inventories write-down	-	837	22,562
Sale of scrap	3,838	2,836	11,977
Sale of rubber wood	2,769	923	10,291
Write-back of allowance for irrecoverable tax credit	-	31,699	-
Other income	21,109	43,084	37,755
	333,144	331,102	2,671,005

2.8 Other gains and losses

	2015 RM'000	2016 RM'000	2017 RM'000
Fair value losses on forward foreign exchange contracts:			
- non-hedging derivatives	(6,695)	-	(2,878)
- cash flow hedge	(7,342)	-	-
Foreign currencies exchange losses:			
- realised	(26,619)	(142,438)	(33,654)
- unrealised	(42,333)	(54,492)	(26,317)
Fair value gains on commodities future contracts	3,958	6,162	23,725
Fair value gains on forward foreign exchange contracts:			
- non-hedging derivatives	-	3,476	-
- cash flow hedge	-	9,293	25,430
Foreign currencies exchange gains:			
- realised	104,201	209,740	55,861
- unrealised	93,816	89,562	36,340
	118,986	121,303	78,507

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.9 Finance income

	2015 RM'000	2016 RM'000	2017 RM'000
Finance income from:			
- accretion of interests (Note 2.26(b))	18,607	19,911	21,304
- banks and other financial institutions	47,027	18,937	13,608
- customers and others	19,883	4,915	12,574
	85,517	43,763	47,486

2.10 Finance costs

	2015 RM'000	2016 RM'000	2017 RM'000
Finance costs charged by:			
- banks and other financial institutions	53,890	168,601	151,354
- finance lease of plant and machinery	6,032	4,412	3,772
- fellow subsidiaries	267,291	369,453	359,858
Net changes in fair value of interest rate swap contracts (non-hedging derivatives)	2,396	(2,396)	-
Amortisation of deferred interest expenses	95	-	-
Amortisation of deferred financing expenses (Note 2.38)	962	3,200	10,032
Reversal of discount on long-term bonus	(61)	(128)	-
	330,605	543,142	525,016
Interests capitalised in:			
- capital work-in-progress	(10,000)	(8,673)	(10,611)
- bearer plants	(12,044)	(67,175)	(42,236)
- intangible assets	(1,367)	(3,201)	(311)
	(23,411)	(79,049)	(53,158)
Net finance costs	307,194	464,093	471,858

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.11 Directors' remuneration

Included in Note 2.6 (d) is the aggregate amount of emoluments received/receivable by the Directors of the Company during the financial year is as follows:

	2015 RM'000	2016 RM'000	2017 RM'000
Non-executive Directors:			
- fees and allowances	1,219	1,921	1,922
Executive Directors:			
- salaries and other remunerations	2,022	1,935	2,809
- benefits-in-kind	35	35	29
	2,057	1,970	2,838

2.12 Tax expense/(credit)

	2015 RM'000	2016 RM'000	2017 RM'000
Current tax:			
In respect of current financial year			
- Malaysian income tax	46,609	42,858	127,192
- foreign income tax	220,273	203,945	387,421
In respect of prior financial years			
- Malaysian income tax	(13,500)	(2,518)	(1,349)
- foreign income tax	(19,083)	4,281	18,268
Deferred tax (Note 2.24)			
- origination and reversal of temporary differences	59,403	(396,566)	(60,682)
- effects of changes in tax rates	(327)	-	8,203
- benefits from previously unrecognised tax losses, tax credit and temporary differences	(8,898)	(15,896)	-
	50,178	(412,462)	(52,479)
Tax expense/(credit) for the financial year	284,477	(163,896)	479,053

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 Tax expense/(credit) (continued)

A reconciliation of income tax expense/(credit) applicable to profit before tax at the statutory income tax rate to income tax expense/(credit) at the effective income tax rate is as follows:

	2015 RM'000	2016 RM'000	2017 RM'000
Profit before tax	1,315,923	839,039	4,030,963
Applicable tax	261,093	172,818	896,202
Effects of income not subject to tax	(70,290)	(135,970)	(568,494)
Effects of expenses not deductible for tax purposes	159,059	125,646	187,960
Effects of changes in tax rates on deferred tax	(327)	-	8,203
Expenses subject to double deductions	(34,295)	(9,393)	(12,987)
Benefits in respect of previously unrecognised tax losses	(8,898)	(15,896)	-
Deferred tax assets not recognised in respect of current financial year's tax losses and deductible temporary differences	2,261	22,095	1,002
(Over)/under provision in respect of prior financial years	(32,583)	1,763	16,919
Effects of changes in tax rates from changes in tax revaluation (see Note (b) below)	-	(348,142)	(69,228)
Share of tax expense from associates and joint ventures	8,457	23,183	19,476
Tax expense/(credit) for the financial year	284,477	(163,896)	479,053
Applicable tax rate (average) (%) (see Note (a) below)	19.8	20.6	22.2
Effective tax rate (%)	21.6	(19.5)	11.9

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.12 Tax expense/(credit) (continued)

(a) The applicable tax rate of the Group is derived from the consolidation of all Group's companies' applicable tax rates based on their respective domestic tax rates.

(b) The Ministry of Finance in Indonesia has issued a new regulation on fixed assets revaluation (under Peraturan Menteri Keuangan No.191/PMK.010/2015) ("PMK 191") effective from 20 October 2015 as a temporary special tax treatment to taxpayers. Under the special tax regulation, taxpayers who elect to apply the fixed asset revaluation are granted a special tax treatment, leading to a reduction in the final tax rate to be applied on the companies.

Under the special tax regulation, 15 of the Group's subsidiaries had elected and submitted their application for the special tax incentive by performing a tax revaluation on certain assets and paid a final tax amount of IDR219 billion (equivalent to RM66.3 million) for the revaluation surplus in May 2016.

During the financial year ended 30 June 2017, 17 of the Group's subsidiaries had elected and submitted their application under this tax regulation and paid a final tax amount of IDR67.7 billion (equivalent to RM21.9 million) in December 2016.

Subsequent to the approvals of the fixed assets revaluation by the Director General of Taxation ("DGT"), the Group will enjoy lower income tax expense in the future as a result of higher depreciation expense (which is an allowable expense for tax deduction under the Indonesian tax-regime) as compared to the one-off tax paid on the revaluation surplus. Consequently as a result of this, the Group has recognised deferred tax assets amounting to IDR282.1 billion (equivalent to RM91.1 million) (30 June 2016: IDR1,368 billion, equivalent to RM414.4 million, 30 June 2015 and 1 July 2014: IDR Nil).

2.13 Earnings per share

Basic and diluted earnings per share attributable to equity holder of the Company is computed as follows:

	2015	2016	2017
Profit for the financial year (RM'000)	997,113	967,179	3,507,099
Weighted average number of ordinary shares in issue ('000)	600,000	600,000	600,000
Earnings per share (basic/diluted) (sen)	166.19	161.20	584.52

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.14 Dividends

Dividends payable and paid in respect of the ordinary shares for the financial year are as follows:

	2015 RM'000	2016 RM'000	2017 RM'000
Payable to the immediate holding company in respect of the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017:			
First interim single tier dividend of RM0.50 per share (2016: RM1.167 per share, 2015: RM0.35 per share)	210,000	700,000	300,000
Second interim single tier dividend of RM1.00 per share (2016: RM Nil per share, 2015: RM0.65 per share)	390,000	-	600,000
	600,000	700,000	900,000

The Directors do not recommend any payment of final dividend in respect of the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 Other comprehensive income

2015	Hedging reserve RM'000	Available-for-sale reserve RM'000	Exchange reserve RM'000	Retained earnings RM'000	Attributable to equity holder of the Company RM'000	Non-controlling interests RM'000	Total RM'000
Items that will be reclassified subsequently to profit or loss:							
Currency translation differences:							
- subsidiaries	-	-	502,290	-	502,290	25,300	527,590
- joint ventures	-	-	5,223	-	5,223	-	5,223
Net changes in fair value:							
- available-for-sale investments	-	(16,584)	-	-	(16,584)	(3)	(16,587)
- cash flow hedge	(10,842)	-	-	-	(10,842)	-	(10,842)
Tax credit relating to components of other comprehensive income	3,792	-	-	-	3,792	-	3,792
Items that will not be reclassified subsequently to profit or loss:							
Actuarial loss on defined benefit plans	-	-	-	(6,828)	(6,828)	(666)	(7,494)
Share of other comprehensive loss of joint ventures	-	-	-	(20,857)	(20,857)	-	(20,857)
Tax credit relating to actuarial loss on defined benefit plans	-	-	-	1,782	1,782	172	1,954
	(7,050)	(16,584)	507,513	(25,903)	457,976	24,803	482,779

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 Other comprehensive income (continued)

2016	Hedging reserve RM'000	Available-for-sale reserve RM'000	Exchange reserve RM'000	Retained earnings RM'000	Attributable to equity holder of the Company RM'000	Non-controlling interests RM'000	Total RM'000
Items that will be reclassified subsequently to profit or loss:							
Currency translation differences:							
- subsidiaries	-	-	388,408	-	388,408	32,883	421,291
- joint ventures	-	-	31,774	-	31,774	-	31,774
Net changes in fair value:							
- available-for-sale investments	-	16,029	-	-	16,029	2,409	18,438
- cash flow hedge	(28,050)	-	-	-	(28,050)	-	(28,050)
Tax credit relating to components of other comprehensive income	5,445	-	-	-	5,445	-	5,445
Items that will not be reclassified subsequently to profit or loss:							
Actuarial gain/(loss) on defined benefit plans	-	-	-	520	520	(74)	446
Share of other comprehensive income of joint ventures	-	-	-	5,573	5,573	-	5,573
Tax credit/(expenses) relating to actuarial loss/(gain) on defined benefit plans	-	-	-	88	88	(201)	(113)
	(22,605)	16,029	420,182	6,181	419,787	35,017	454,804

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.15 Other comprehensive income (continued)

2017	Hedging reserve RM'000	Available-for-sale reserve RM'000	Exchange reserve RM'000	Retained earnings RM'000	Attributable to equity holder of the Company RM'000	Perpetual Sukuk RM'000	Non-controlling interests RM'000	Total RM'000
Items that will be reclassified subsequently to profit or loss:								
Currency translation differences:								
- subsidiaries	-	-	218,622	-	218,622	-	(4,042)	214,580
- joint ventures	-	-	11,385	-	11,385	-	-	11,385
Net changes in fair value:								
- available-for-sale investments	-	(1,954)	-	-	(1,954)	-	(29)	(1,983)
- cash flow hedge	32,143	-	-	-	32,143	-	50	32,193
Tax expenses relating to components of other comprehensive income	(7,034)	-	-	-	(7,034)	-	-	(7,034)
Items that will not be reclassified subsequently to profit or loss:								
Actuarial gain on defined benefit plans	-	-	-	15,982	15,982	-	1,248	17,230
Share of other comprehensive loss of joint ventures	-	-	-	(8,179)	(8,179)	-	-	(8,179)
Tax expenses relating to actuarial gain on defined benefit plans	-	-	-	(3,955)	(3,955)	-	(337)	(4,292)
	25,109	(1,954)	230,007	3,848	257,010	-	(3,110)	253,900

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment

2015	Freehold land	Leasehold land	Buildings	Bearer plants (Note (a))	Plant and machinery	Vehicles, equipment and fixtures	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At 1 July 2014	2,650,548	1,221,278	3,289,300	4,033,459	2,885,528	1,277,532	626,119	15,983,764
Acquisition of subsidiaries	63,808	524,033	597,651	2,953,404	801,417	167,374	81,175	5,188,862
Additions	136	409	16,349	603,639	45,304	75,396	404,299	1,145,532
Disposals	(13,351)	(197)	(1,398)	(9,124)	(13,127)	(2,894)	(7,507)	(47,598)
Disposal of a subsidiary	-	-	-	-	(69,613)	-	-	(69,613)
Write offs	-	-	(8,216)	(22,455)	(16,945)	(17,901)	(1,887)	(67,404)
Transfers from/(to):								
- other receivables	-	-	-	5,724	-	-	(15)	5,709
- investment properties (Note 2.17)	(6,338)	-	(264)	-	-	(613)	-	(7,215)
- prepaid lease rental (Note 2.19)	-	-	-	-	-	-	(828)	(828)
- intangible assets (Note 2.22)	-	-	-	-	-	-	(2,322)	(2,322)
- non-current assets held for sale (Note 2.31)	(4,331)	-	(17,703)	-	(40,298)	(6,593)	(140)	(69,065)
Reclassification	(1,592)	1,567	400,291	-	262,682	13,324	(676,272)	-
Exchange differences	9,103	70,579	52,353	355,510	250,510	20,947	19,783	778,785
At 30 June 2015	2,697,983	1,817,669	4,328,363	7,920,157	4,105,458	1,526,572	442,405	22,838,607

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

2015 (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Bearer plants (Note (a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 1 July 2014	-	264,051	980,634	1,208,806	1,460,592	808,417	-	4,722,500
Charge for the financial year (Note 2.6(c))	-	11,407	176,544	225,960	224,893	121,085	-	759,889
Disposals	-	(24)	(93)	(966)	(6,224)	(2,534)	-	(9,841)
Disposal of a subsidiary	-	-	-	-	(9,076)	-	-	(9,076)
Write offs	-	-	(5,206)	(1,689)	(10,702)	(17,639)	-	(35,236)
Transfers to:								
- investment properties (Note 2.17)	-	-	-	-	-	(179)	-	(179)
- non-current assets held for sales (Note 2.31)	-	-	(14,055)	-	(38,917)	(5,794)	-	(58,766)
Reclassification	-	-	5,401	-	-	(5,401)	-	-
Exchange differences	-	14,696	16,809	22,901	89,323	19,213	-	162,942
At 30 June 2015	-	290,130	1,160,034	1,455,012	1,709,889	917,168	-	5,532,233

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

2015 (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Bearer plants (Note (a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated impairment losses								
At 1 July 2014	-	16,258	21,484	2,844	109,699	1,834	6,518	158,637
Charge for the financial year (Note 2.6(e))	-	-	14,494	-	-	-	-	14,494
Reversal for the financial year (Note 2.7)	-	-	-	-	(365)	(5)	(385)	(755)
Disposals	-	(64)	(41)	-	(6,321)	(76)	-	(6,502)
Write offs	-	-	(321)	-	(242)	(17)	-	(580)
Transfers to investment properties (Note 2.17)	-	-	-	-	-	(279)	-	(279)
Reclassification	-	-	269	-	-	(269)	-	-
Exchange differences	-	-	1,331	-	(126)	1,809	1,053	4,067
At 30 June 2015	-	16,194	37,216	2,844	102,645	2,997	7,186	169,082
Net book value								
At 30 June 2015	2,697,983	1,511,345	3,131,113	6,462,301	2,292,924	606,407	435,219	17,137,292
At 1 July 2014	2,650,548	940,969	2,287,182	2,821,809	1,315,237	467,281	619,601	11,102,627

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

2016	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Bearer plants (Note (a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 July 2015	2,697,983	1,817,669	4,328,363	7,920,157	4,105,458	1,526,572	442,405	22,838,607
Additions	-	4,869	37,864	856,276	70,390	59,031	380,705	1,409,135
Disposals	(5,096)	(63)	(6,112)	(13,640)	(13,295)	(773)	-	(38,979)
Write offs	-	-	(3,914)	(100,577)	(7,098)	(11,226)	-	(122,815)
Transfers from/(to):								
- other receivables (Note 2.26)	-	-	-	3,215	-	-	-	3,215
- investment properties (Note 2.17)	-	-	(76)	-	-	-	-	(76)
- intangible assets (Note 2.22)	-	-	-	-	-	(25)	-	(25)
Reclassification	(68)	327	261,925	-	137,731	27,152	(427,067)	-
Exchange differences	6,453	(14,713)	90,134	383,840	11,354	97,831	32,249	607,148
At 30 June 2016	2,699,272	1,808,089	4,708,184	9,049,271	4,304,540	1,698,562	428,292	24,696,210

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

2016 (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Bearer plants (Note (a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 1 July 2015	-	290,130	1,160,034	1,455,012	1,709,889	917,168	-	5,532,233
Charge for the financial year (Note 2.6(c))	-	55,115	275,363	382,690	239,780	137,342	-	1,090,290
Disposals	-	(27)	(928)	(314)	(2,358)	(567)	-	(4,194)
Write offs	-	-	(2,745)	(76,730)	(6,661)	(10,807)	-	(96,943)
Reclassification	-	61	2,293	-	(2,096)	(258)	-	-
Exchange differences	-	16,819	(63,341)	82,762	(110,649)	71,889	-	(2,520)
At 30 June 2016	-	362,098	1,370,676	1,843,420	1,827,905	1,114,767	-	6,518,866

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

2016 (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Bearer plants (Note (a)) RM'000	Plant and machinery RM'000	Vehicles, equipmeut and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated impairment losses								
At 1 July 2015	-	16,194	37,216	2,844	102,645	2,997	7,186	169,082
Charge for the financial year (Note 2.6(e))	-	-	31	-	31	13	-	75
Disposals	-	(2)	-	-	-	-	-	(2)
Write offs	-	-	(224)	-	-	(3)	-	(227)
Reclassification	-	(405)	-	-	384	21	-	-
Exchange differences	-	-	493	-	4,923	102	707	6,225
At 30 June 2016	-	15,787	37,516	2,844	107,983	3,130	7,893	175,153
Net book value								
At 30 Juue 2016	2,699,272	1,430,204	3,299,992	7,203,007	2,368,652	580,665	420,399	18,002,191

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

2017	Freehold land	Leasehold land	Buildings	Bearer plants (Note (a))	Plant and machinery	Vehicles, equipment and fixtures	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At 1 July 2016	2,699,272	1,808,089	4,708,184	9,049,271	4,304,540	1,698,562	428,292	24,696,210
Acquisition of a business (Note 2.42(b))	69,298	-	8,202	8,500	16,934	449	-	103,383
Additions	74	1,817	49,018	940,066	100,170	57,609	502,911	1,651,665
Disposals	(8,561)	(16)	(13,539)	(38,937)	(95,459)	(29,643)	-	(186,155)
Write offs	-	-	(8,934)	(177,497)	(14,286)	(17,780)	(4,451)	(222,948)
Transfers from/(to):								
- other receivables (Note 2.26)	-	-	-	1,839	-	-	-	1,839
- non-current assets held for sale (Note 2.31)	(5,239)	-	(37,118)	(110,898)	(46,044)	(10,678)	(4,384)	(214,361)
- inventories	-	-	-	28,308	-	-	-	28,308
Reclassification	-	-	42,443	-	8,984	2,679	(54,106)	-
Exchange differences	10,086	80,749	142,986	63,721	(261,881)	72,068	20,028	127,757
At 30 June 2017	2,764,930	1,890,639	4,891,242	9,764,373	4,012,958	1,773,266	888,290	25,985,698

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

2017 (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Bearer plants (Note (a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 1 July 2016	-	362,098	1,370,676	1,843,420	1,827,905	1,114,767	-	6,518,866
Charge for the financial year (Note 2.6(c))	-	25,271	227,070	504,267	304,630	130,758	-	1,191,996
Disposals	-	(4)	(5,700)	(9,322)	(48,119)	(21,889)	-	(85,034)
Write offs	-	-	(2,342)	(133,310)	(12,188)	(17,302)	-	(165,142)
Transfers to non-current assets held for sale (Note 2.31)	-	-	(12,739)	(42,965)	(21,869)	(9,171)	-	(86,744)
Exchange differences	-	(17,054)	(301,713)	8,615	138,243	69,633	-	(102,276)
At 30 June 2017	-	370,311	1,275,252	2,170,705	2,188,602	1,266,796	-	7,271,666

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

2017 (continued)	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Bearer plants (Note (a)) RM'000	Plant and machinery RM'000	Vehicles, equipment and fixtures RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated impairment losses								
At 1 July 2016	-	15,787	37,516	2,844	107,983	3,130	7,893	175,153
Charge for the financial year (Note 2.6(e))	-	-	17,828	192,000	261	89	-	210,178
Disposals	-	-	(947)	-	(4,611)	(307)	-	(5,865)
Write offs	-	-	(83)	-	(29)	(48)	-	(160)
Exchange differences	-	49	(1,538)	(5,243)	357	219	1,287	(4,869)
At 30 June 2017	-	15,836	52,776	189,601	103,961	3,083	9,180	374,437
Net book value								
At 30 June 2017	2,764,930	1,504,492	3,563,214	7,404,067	1,720,395	503,387	879,110	18,339,595

Included in additions of the Group's property, plant and equipment during the financial year ended 30 June 2017 are depreciation capitalised in immature bearer plants of RM24.6 million (30 June 2016: RM36.0 million, 30 June 2015: RM15.0 million), borrowing costs capitalised in capital work-in-progress of RM10.6 million (30 June 2016: RM8.7 million, 30 June 2015: RM10.0 million) and borrowing costs capitalised in immature bearer plants of RM42.2 million (30 June 2016: RM67.2 million, 30 June 2015: RM12.0 million).

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

(a) Bearer plants

Bearer plants comprised oil palm, rubber trees and growing canes.

	Mature				Immature			
2015	Oil palm RM'000	Rubber trees RM'000	Growing canes RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
Cost								
At 1 July 2014	2,910,771	23,265	-	2,934,036	1,045,432	53,991	1,099,423	4,033,459
Acquisition of subsidiaries	2,635,602	-	92,521	2,728,123	225,281	-	225,281	2,953,404
Additions	-	-	-	-	576,869	26,770	603,639	603,639
Disposals	(9,124)	-	-	(9,124)	-	-	-	(9,124)
Write offs	(21,145)	(1,310)	-	(22,455)	-	-	-	(22,455)
Transfers from other receivables (Note 2.26(a))	5,724	-	-	5,724	-	-	-	5,724
Reclassification	202,538	476	-	203,014	(202,538)	(476)	(203,014)	-
Exchange differences	271,957	-	7,990	279,947	75,426	137	75,563	355,510
At 30 June 2015	5,996,323	22,431	100,511	6,119,265	1,720,470	80,422	1,800,892	7,920,157
Accumulated depreciation								
At 1 July 2014	1,199,950	8,856	-	1,208,806	-	-	-	1,208,806
Charge for the financial year	217,334	976	7,650	225,960	-	-	-	225,960
Disposals	(966)	-	-	(966)	-	-	-	(966)
Write offs	(798)	(891)	-	(1,689)	-	-	-	(1,689)
Exchange differences	22,901	-	-	22,901	-	-	-	22,901
At 30 June 2015	1,438,421	8,941	7,650	1,455,012	-	-	-	1,455,012

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

(a) Bearer plants (continued)

	Mature				Immature			
2015 (continued)	Oil palm RM'000	Rubber trees RM'000	Growing canes RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
Accumulated impairment losses								
At 1 July 2014/ At 30 June 2015	2,844	-	-	2,844	-	-	-	2,844
Net book value at 30 June 2015	4,555,058	13,490	92,861	4,661,409	1,720,470	80,422	1,800,892	6,462,301
Net book value at 1 July 2014	1,707,977	14,409	-	1,722,386	1,045,432	53,991	1,099,423	2,821,809

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

(a) Bearer plants (continued)

	Mature				Immature			
2016	Oil palm RM'000	Rubber trees RM'000	Growing canes RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
Cost								
At 1 July 2015	5,996,323	22,431	100,511	6,119,265	1,720,470	80,422	1,800,892	7,920,157
Additions	-	-	-	-	817,445	38,831	856,276	856,276
Disposals	(13,640)	-	-	(13,640)	-	-	-	(13,640)
Write offs	(99,545)	(1,032)	-	(100,577)	-	-	-	(100,577)
Transfers from other receivables (Note 2.26(a))	-	-	-	-	3,215	-	3,215	3,215
Reclassification	392,123	23,475	-	415,598	(392,123)	(23,475)	(415,598)	-
Exchange differences	350,432	58	7,529	358,019	25,780	41	25,821	383,840
At 30 June 2016	6,625,693	44,932	108,040	6,778,665	2,174,787	95,819	2,270,606	9,049,271
Accumulated depreciation								
At 1 July 2015	1,438,421	8,941	7,650	1,455,012	-	-	-	1,455,012
Charge for the financial year	348,615	5,081	28,994	382,690	-	-	-	382,690
Disposals	(314)	-	-	(314)	-	-	-	(314)
Write offs	(75,839)	(891)	-	(76,730)	-	-	-	(76,730)
Exchange differences	89,321	(1,140)	(5,419)	82,762	-	-	-	82,762
At 30 June 2016	1,800,204	11,991	31,225	1,843,420	-	-	-	1,843,420

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

(a) Bearer plants (continued)

	Mature				Immature			
2016 (continued)	Oil palm RM'000	Rubber trees RM'000	Growing canes RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
Accumulated impairment losses								
At 1 July 2015/ At 30 June 2016	2,844	-	-	2,844	-	-	-	2,844
Net book value at 30 June 2016	4,822,645	32,941	76,815	4,932,401	2,174,787	95,819	2,270,606	7,203,007

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

(a) Bearer plants (continued)

	Mature				Immature			
2017	Oil palm RM'000	Rubber trees RM'000	Growing canes RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
Cost								
At 1 July 2016	6,625,693	44,932	108,040	6,778,665	2,174,787	95,819	2,270,606	9,049,271
Acquisition of a business (Note 2.42(b))	6,600	-	-	6,600	1,900	-	1,900	8,500
Additions	213	-	-	213	861,007	78,846	939,853	940,066
Disposals	(37,110)	-	-	(37,110)	(1,827)	-	(1,827)	(38,937)
Write offs	(174,098)	(1,847)	-	(175,945)	(1,552)	-	(1,552)	(177,497)
Transfers from/(to):								
- other receivables (Note 2.26(a))	1,839	-	-	1,839	-	-	-	1,839
- non-current assets held for sale	(110,898)	-	-	(110,898)	-	-	-	(110,898)
- inventories	-	-	-	-	24,170	4,138	28,308	28,308
Reclassification	855,490	288	-	855,778	(855,490)	(288)	(855,778)	-
Exchange differences	125,824	(58)	(5,730)	120,036	(57,170)	855	(56,315)	63,721
At 30 June 2017	7,293,553	43,315	102,310	7,439,178	2,145,825	179,370	2,325,195	9,764,373
Accumulated depreciation								
At 1 July 2016	1,800,204	11,991	31,225	1,843,420	-	-	-	1,843,420
Charge for the financial year	463,806	971	39,490	504,267	-	-	-	504,267
Disposals	(9,322)	-	-	(9,322)	-	-	-	(9,322)
Write offs	(132,095)	(1,187)	(28)	(133,310)	-	-	-	(133,310)
Transfers to non-current assets held for sale	(42,965)	-	-	(42,965)	-	-	-	(42,965)
Exchange differences	7,391	(311)	1,535	8,615	-	-	-	8,615
At 30 June 2017	2,087,019	11,464	72,222	2,170,705	-	-	-	2,170,705

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

(a) Bearer plants (continued)

	Mature				Immature			
2017 (continued)	Oil palm RM'000	Rubber trees RM'000	Growing canes RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Total RM'000	Total bearer plants RM'000
Accumulated impairment losses								
At 1 July 2016	2,844	-	-	2,844	-	-	-	2,844
Charge for the financial year	192,000	-	-	192,000	-	-	-	192,000
Exchange differences	(5,243)	-	-	(5,243)	-	-	-	(5,243)
At 30 June 2017	189,601	-	-	189,601	-	-	-	189,601
Net book value at 30 June 2017	5,016,933	31,851	30,088	5,078,872	2,145,825	179,370	2,325,195	7,404,067

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

(b) Underlying assets for Islamic financing facilities

(i) In January 2013, the Company entered into a notional sale and leaseback of certain of its plantation land and bearer plants with Sime Darby Global Berhad ("Sime Darby Global"), a special purpose vehicle established by Sime Darby Berhad ("SDB"). This sale and leaseback arrangement is solely to facilitate the issuance of Islamic Trust Certificates ("Sukuk") by Sime Darby Global and it does not represent a collateralisation nor involve a transfer of registered land title. On 23 May 2017, the Company acquired the entire equity interest of Sime Darby Global.

The carrying amount of the assets used as underlying Sukuk assets as at 30 June 2017 amounted to RM292 million (30 June 2016: RM820 million, 30 June 2015: RM774 million, 1 July 2014: RM819 million).

(ii) During the financial year ended 30 June 2016, a subsidiary of the Company entered into a notional sale and leaseback of certain of its plantation land and bearer plants with SDB. This sale and leaseback arrangement is solely to facilitate the issuance of Perpetual Subordinated Sukuk Programme ("Perpetual Sukuk") by SDB. The structure does not represent collateralisation and there was no transfer of registered land title. On 23 June 2017, the Perpetual Sukuk was novated from SDB to the Company. The sale and leaseback agreement was similarly novated from SDB to the Company.

The carrying amount of the assets used as underlying Perpetual Sukuk assets as at 30 June 2017 amounted to RM114 million (30 June 2016: RM116 million, 30 June 2015 and 1 July 2014: RM Nil).

(c) Assets pledged as security

As at 30 June 2017, property, plant and equipment with a total carrying amount of RM Nil (30 June 2016: RM96 million, 30 June 2015: RM3,677 million, 1 July 2014: RM Nil) were pledged as security for borrowings (see Note 2.38(e)(i)).

(d) Assets under finance leases

Plant and machinery includes the following amounts where the Group is the lessee under finance leases:

	1 July 2014	30 June 2015	30 June 2016	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Cost - capitalised finance lease	164,296	164,296	164,296	66,729
Accumulated depreciation	(18,032)	(27,013)	(44,483)	(18,173)
Net book value	146,264	137,283	119,813	48,556

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.16 Property, plant and equipment (continued)

(e) Impairment

During the financial year ended 30 June 2015, the Group carried out an assessment to determine the recoverable amount of property, plant and equipment ("PPE") in one of its downstream cash generating units (CGU) as the facility was idle. An impairment of RM14.5 million was recognised as the carrying amount of the PPE exceeded the fair value less costs of disposal of those assets. The Group made full impairment of the remaining carrying amount of RM7.4 million (except for certain assets which will be transferred to another subsidiary) during the financial year ended 30 June 2017 as it did not foresee the facility will be revived.

The Group had also during the financial year ended 30 June 2017, carried out an impairment review to determine the recoverability of the Group's PPE in Liberia as a result of a change in the Group's strategic investment decisions in Liberia following the continuing losses incurred by its Liberia operations.

For the purpose of this review, the recoverable amount of the Group's PPE in Liberia, comprising the oil palm estates and oil palm mill were valued separately as two CGUs by an independent professional valuer. The recoverable amounts of these CGUs were determined based on the higher of fair value less cost of disposal and value-in-use. No impairment charge was required on the oil palm mill as the fair value less cost of disposal exceeded its carrying value.

An impairment loss of RM202.3 million was recorded on the oil palm estates in Liberia as the carrying amount of the oil palm estate's PPE exceeded its fair value less cost of disposal of RM315.6 million. Estimates of fair values on the oil palm estates as determined by the professional valuer were based on the income approach and are within Level 3 of the fair value hierarchy. The key assumptions adopted in the valuation and the sensitivity analysis of each of these assumptions assuming all other variables are held constant are as follows:

Key assumptions	Base case	Sensitivity	Additional impairment RM'million
Crude palm oil ("CPO") price	USD750 per mt	Reduced by 5%	52
Fresh fruit bunches ("FFB") yields	7 to 23 mt per ha	Reduced by 1mt per ha	48
Average upkeep costs	USD668 per ha	Increased by 10%	17
Discount rate	12% per annum	Increased by 1%	25

(f) Changes in estimate of useful life

Effective from 1 July 2015, the Group changed its estimated useful life for certain buildings from 9 - 20 years to 10 - 26 years, and certain plant and machinery from 5 - 30 years to 7 - 40 years in conformity with the change in the expected pattern of consumption of the future economic benefits. As a result, the Group's depreciation charge decreased by RM27.2 million for financial year ended 30 June 2016.

There is no change in the estimated useful lives of property, plant and equipment during the financial year ended 30 June 2017.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.17 Investment properties

	Freehold land RM'000	Buildings RM'000	Total RM'000
2015			
Cost			
At 1 July 2014	6,256	408	6,664
Transfers from property, plant and equipment (Note 2.16)	6,338	877	7,215
Exchange differences	768	86	854
At 30 June 2015	13,362	1,371	14,733
Accumulated depreciation			
At 1 July 2014	-	57	57
Charge for the financial year (Note 2.6(a))	-	58	58
Transfers from property, plant and equipment (Note 2.16)	-	179	179
Exchange differences	-	28	28
At 30 June 2015	-	322	322
Accumulated impairment losses			
At 1 July 2014	-	-	-
Transfers from property, plant and equipment (Note 2.16)	-	279	279
Exchange differences	-	17	17
At 30 June 2015	-	296	296
Net book value at 30 June 2015	13,362	753	14,115
Net book value at 1 July 2014	6,256	351	6,607

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.17 Investment properties (continued)

	Freehold land RM'000	Buildings RM'000	Total RM'000
2016			
Cost			
At 1 July 2015	13,362	1,371	14,733
Transfers from property, plant and equipment (Note 2.16)	-	76	76
Transfers to non-current assets held for sale (Note 2.31)	-	(220)	(220)
Exchange differences	193	25	218
At 30 June 2016	13,555	1,252	14,807
Accumulated depreciation			
At 1 July 2015	-	322	322
Charge for the financial year (Note 2.6(a))	-	69	69
Transfers to non-current assets held for sale (Note 2.31)	-	(32)	(32)
Exchange differences	-	7	7
At 30 June 2016	-	366	366
Accumulated impairment losses			
At 1 July 2015	-	296	296
Exchange differences	-	6	6
At 30 June 2016	-	302	302
Net book value at 30 June 2016	13,555	584	14,139

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.17 Investment properties (continued)

	Freehold land RM'000	Buildings RM'000	Total RM'000
2017			
Cost			
At 1 July 2016	13,555	1,252	14,807
Exchange differences	1,059	133	1,192
At 30 June 2017	14,614	1,385	15,999
Accumulated depreciation			
At 1 July 2016	-	366	366
Charge for the financial year (Note 2.6(a))	-	78	78
Exchange differences	-	41	41
At 30 June 2017	-	485	485
Accumulated impairment losses			
At 1 July 2016	-	302	302
Exchange differences	-	32	32
At 30 June 2017	-	334	334
Net book value at 30 June 2017	14,614	566	15,180

The fair value of investment properties as at 30 June 2017 is RM20.0 million (30 June 2016: RM18.0 million, 30 June 2015: RM20.4 million, 1 July 2014: RM11.0 million) based on the valuation performed by external professional firms of surveyors and valuers. The valuation was performed using the comparable method based on current prices of comparable properties in an active market for all properties within Level 2 of the fair value hierarchy. Level 2 is based on the inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The latest external valuation was carried out as at 30 June 2017.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.18 Biological assets

	Oil palm RM'000	Growing canes RM'000	Livestock RM'000	Total RM'000
2015				
At 1 July 2014	96,687	-	-	96,687
Acquisition of subsidiaries	-	-	44,800	44,800
Transfers to produce stocks	(97,574)	-	-	(97,574)
Fair value gains	87,817	40,358	-	128,175
Exchange differences	1,518	3,961	5,494	10,973
At 30 June 2015	88,448	44,319	50,294	183,061
2016				
At 1 July 2015	88,448	44,319	50,294	183,061
Additions	-	-	22,504	22,504
Transfers to produce stocks	(90,139)	(48,192)	-	(138,331)
Disposals	-	-	(19,346)	(19,346)
Fair value gains/(losses)	60,208	56,124	(3,977)	112,355
Exchange differences	1,737	2,515	3,090	7,342
At 30 June 2016	60,254	54,766	52,565	167,585
2017				
At 1 July 2016	60,254	54,766	52,565	167,585
Additions	-	-	257	257
Transfers to produce stocks	(60,859)	(58,417)	-	(119,276)
Transfers to non-current assets held for sale (Note 2.31)	(80)	-	-	(80)
Fair value gains/(losses)	91,934	51,375	(642)	142,667
Disposals	-	-	(154)	(154)
Exchange differences	568	3,784	3,648	8,000
At 30 June 2017	91,817	51,508	55,674	198,999

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy with the exception of livestock which are on Level 2 basis (inputs are observable indirectly). Fair value assessments have been completed consistently using the same valuation techniques.

There were no transfers between all three levels of the fair value hierarchy during the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.18 Biological assets (continued)

The biological assets have the following maturity periods:

	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
Non-current				
Due later than one year	-	8,422	44,969	-
Current				
Due not later than one year	96,687	174,639	122,616	198,999
	96,687	183,061	167,585	198,999

The biological assets of the Group comprised:

(i) Oil palm

Oil palm represents the fresh fruit bunches ("FFB") of up to 2 weeks prior to harvest for use in the Group's palm product operations. During the financial year ended 30 June 2017, the Group harvested approximately 9,784,046 metric tonnes ("MT") of FFB (2016: 9,620,506 MT, 2015: 9,637,549 MT). The quantity of unharvested FFB as at 30 June 2017 included in the fair valuation of FFB was 385,688 MT (2016: 292,661 MT, 2015: 443,586 MT).

In arriving at the fair value, the Group adopted the income approach which considers the net present value of all directly attributable cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for as disclosed in Note 2.3(c)(i) to the consolidated financial statements. Changes to the assumed prices of the FFB and tonnage included in the valuation will have a direct effect on the reported valuation.

(ii) Growing canes

Growing canes represent the standing canes prior to harvest whereby the values are dependent on the age, sucrose content and condition as at the statement of financial position date as disclosed in Note 2.3(c)(ii) to the consolidated financial statements. During the financial year ended 30 June 2017, the Group harvested approximately 269,200 MT (2016: 238,158 MT, 2015: 54,090 MT) of canes. The estimated quantity of unharvested canes as at 30 June 2017 included in the fair valuation of FFB of the Group was 233,344 MT (2016: 265,808 MT, 2015: 211,642 MT).

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.18 Biological assets (continued)

(iii) Livestock

Livestock comprise the cattle livestock included within the Group's beef production operations. Cattle livestock are generally fed for 120 days prior to use for beef production. During the financial year ended 30 June 2017, the Group produced 1,923.4 tonnes (2016: 1,874.6 tonnes, 2015: 591.8 tonnes) of beef. The quantity of cattle as at 30 June 2017 included in the fair values of livestock was 24,803 head (2016: 26,014 head, 2015: 24,885 head).

The fair values of livestock are based on the Groups' assessment of age, average weights and market values of the livestock at the statement of financial position date. If the selling prices of livestock changes by 10%, fair value changes in livestock would have increased or decreased by approximately RM5.6 million (2016:RM5.3 million, 2015: RM5.0 million) respectively.

2.19 Prepaid lease rentals

The prepaid lease rentals are payments for rights to use in respect of the short-term leasehold land.

	2015 RM'000	2016 RM'000	2017 RM'000
Cost			
At 1 July	1,210,881	1,224,812	1,273,457
Additions	4,984	452	1,093
Transfers (to)/from			
- non-current assets held for sale (Note 2.31)	-	-	(4,968)
- property, plant and equipment (Note 2.16)	828	-	-
Disposal of a subsidiary	(28,350)	-	-
Exchange differences	36,469	48,193	35,925
At 30 June	1,224,812	1,273,457	1,305,507
Accumulated amortisation			
At 1 July	567,975	602,014	641,287
Charge for the financial year (Note 2.6(a))	34,754	37,820	40,661
Disposal of a subsidiary	(1,755)	-	-
Transfers to non-current assets held for sale (Note 2.31)	-	-	(2,566)
Exchange differences	1,040	1,453	1,116
At 30 June	602,014	641,287	680,498
Net book value			
At 30 June	622,798	632,170	625,009

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures

The Group's equity interest in the joint ventures as at 1 July 2014, 30 June 2015, 30 June 2016 and 30 June 2017, their respective principal activities and countries of incorporation are shown in Note 2.51.

(a) Share of results of joint ventures

The Group's share of results of joint ventures are as follows:

	2015 RM'000	2016 RM'000	2017 RM'000
Share of results for the financial year	(33,774)	(1,883)	(76,606)
Share of other comprehensive (loss)/income (net of tax)	(20,857)	5,573	(8,179)
Currency translation differences	5,223	31,774	11,385
Share of total comprehensive (loss)/income	(49,408)	35,464	(73,400)

(b) Investments in joint ventures

The Group's investments in joint ventures are as follows:

	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
Unquoted shares, at cost	302,099	370,509	374,458	376,281
Share of post-acquisition reserves	190,739	141,331	176,794	103,394
	492,838	511,840	551,252	479,675

(c) Material joint ventures

Set out below are the joint ventures of the Group as at 1 July 2014, 30 June 2015, 30 June 2016 and 30 June 2017, which, in the opinion of the Directors, are material to the Group.

Name of joint ventures	Group's effective interest %	Place of business/ Country of incorporation
Emery Oleochemicals (M) Sdn Bhd	50	Malaysia
Emery Specialty Chemicals Sdn Bhd	50	Malaysia

The Group's investments in joint ventures are in private companies and there are no quoted market prices available for these shares.

There are no contingent liabilities in respect of the Group's interests in the joint ventures.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(d) Summarised financial information

The summarised statements of comprehensive income of the joint ventures are as follows:

	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
2015				
Revenue	2,670,737	-	73,920	2,744,657
Depreciation and amortisation	(86,040)	(130)	(6,988)	(93,158)
Interest income	6,593	1,201	26	7,820
Interest expense	(30,689)	(2,006)	(2,684)	(35,379)
Loss before tax	(15,123)	(24,169)	(9,270)	(48,562)
Tax (expense)/credit	(16,437)	(261)	27	(16,671)
Loss for the financial year	(31,560)	(24,430)	(9,243)	(65,233)
Loss for the financial year attributable to owners of:				
- the joint venture	(34,289)	(24,430)	(9,243)	(67,962)
- non-controlling interests	2,729	-	-	2,729
Loss for the financial year	(31,560)	(24,430)	(9,243)	(65,233)
Other comprehensive income/(loss)				
- unrealised exchange differences	10,483	(38)	-	10,445
- actuarial loss on defined benefit plans	(61,048)	-	-	(61,048)
- tax credit relating to actuarial loss on defined benefit plans	19,334	-	-	19,334
	(31,231)	(38)	-	(31,269)
Total comprehensive loss for the financial year	(62,791)	(24,468)	(9,243)	(96,502)
Total comprehensive loss for the financial year attributable to owners of:				
- the joint venture	(65,520)	(24,468)	(9,243)	(99,231)
- non-controlling interests	2,729	-	-	2,729
	(62,791)	(24,468)	(9,243)	(96,502)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(d) Summarised financial information (continued)

The summarised statements of comprehensive income of the joint ventures are as follows (continued):

	Emery Oleoche-micals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
2016				
Revenue	2,627,517	16,023	69,096	2,712,636
Depreciation and amortisation	(87,641)	(7,634)	-	(95,275)
Interest income	8,920	551	15	9,486
Interest expense	(36,939)	(7,976)	(2,662)	(47,577)
Gain on disposal of non-current assets held for sale	49,168	-	-	49,168
Profit/(loss) before tax	80,153	(23,754)	(12,397)	44,002
Tax (expense)/credit	(46,669)	132	819	(45,718)
Profit/(loss) for the financial year	33,484	(23,622)	(11,578)	(1,716)
Profit/(loss) for the financial year attributable to owners of:				
- the joint venture	30,808	(23,622)	(11,578)	(4,392)
- non-controlling interests	2,676	-	-	2,676
Profit/(loss) for the financial year	33,484	(23,622)	(11,578)	(1,716)
Other comprehensive income/(loss)				
- unrealised exchange differences	63,640	(94)	-	63,546
- actuarial gain on defined benefit plans	15,460	-	-	15,460
- tax expense relating to actuarial loss on defined benefit plans	(4,314)	-	-	(4,314)
	74,786	(94)	-	74,692
Total comprehensive income/(loss) for the financial year	108,270	(23,716)	(11,578)	72,976
Total comprehensive income/(loss) for the financial year attributable to owners of:				
- the joint venture	105,594	(23,716)	(11,578)	70,300
- non-controlling interests	2,676	-	-	2,676
	108,270	(23,716)	(11,578)	72,976

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(d) Summarised financial information (continued)

The summarised statements of comprehensive income of the joint ventures are as follows (continued):

	Emery Oleochemicals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
2017				
Revenue	2,678,582	65,941	53,310	2,797,833
Depreciation and amortisation	(89,960)	(13,038)	(1,827)	(104,825)
Interest income	9,262	937	-	10,199
Interest expense	(38,543)	(12,025)	(2,818)	(53,386)
Impairment of property, plant and equipment	(85,730)	-	-	(85,730)
Loss before tax	(64,972)	(30,865)	(27,157)	(122,994)
Tax expense	(27,435)	(7)	(11,476)	(38,918)
Loss for the financial year	(92,407)	(30,872)	(38,633)	(161,912)
Loss for the financial year attributable to owners of:				
- the joint venture	(94,488)	(30,872)	(38,633)	(163,993)
- non-controlling interests	2,081	-	-	2,081
Loss for the financial year	(92,407)	(30,872)	(38,633)	(161,912)
Other comprehensive income/(loss)				
- unrealised exchange differences	22,912	(346)	-	22,566
- actuarial loss on defined benefit plans	(23,899)	-	-	(23,899)
- tax credit relating to actuarial loss on defined benefit plans	7,541	-	-	7,541
	6,554	(346)	-	6,208
Total comprehensive loss for the financial year	(85,853)	(31,218)	(38,633)	(155,704)
Total comprehensive loss for the financial year attributable to owners of:				
- the joint venture	(87,934)	(31,218)	(38,633)	(157,785)
- non-controlling interests	2,081	-	-	2,081
	(85,853)	(31,218)	(38,633)	(155,704)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(d) Summarised financial information (continued)

The summarised statements of financial position of the joint ventures are as follows (continued):

	Emery Oleoche-micals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
1 July 2014				
Non-current assets	1,091,022	212,173	93,542	1,396,737
Current assets				
Cash and cash equivalents	155,163	710	6,937	162,810
Other current assets	1,048,894	37	20,111	1,069,042
	1,204,057	747	27,048	1,231,852
Non-current liabilities				
Financial liabilities (excluding trade and other payables)	(148,382)	(54,706)	(29,070)	(232,158)
Other non-current liabilities	(214,894)	-	-	(214,894)
	(363,276)	(54,706)	(29,070)	(447,052)
Current liabilities				
Financial liabilities (excluding trade and other payables)	(638,758)	-	(12,932)	(651,690)
Other current liabilities	(362,918)	(85,877)	(34,302)	(483,097)
	(1,001,676)	(85,877)	(47,234)	(1,134,787)
Non-controlling interests	(54,252)	-	-	(54,252)
Net assets	875,875	72,337	44,286	992,498

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(d) Summarised financial information (continued)

The summarised statements of financial position of the joint ventures are as follows (continued):

	Emery Oleoche-micals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
30 June 2015				
Non-current assets	1,138,156	236,314	201,394	1,575,864
Current assets				
Cash and cash equivalents	125,955	3,098	19,129	148,182
Other current assets	1,075,755	30,458	26,937	1,133,150
	1,201,710	33,556	46,066	1,281,332
Non-current liabilities				
Financial liabilities (excluding trade and other payables)	(10,141)	-	(27,282)	(37,423)
Other non-current liabilities	-	-	(250)	(250)
	(10,141)	-	(27,532)	(37,673)
Current liabilities				
Financial liabilities (excluding trade and other payables)	(880,861)	(85,905)	(3,050)	(969,816)
Other current liabilities	(545,116)	(136,096)	(65,096)	(746,308)
	(1,425,977)	(222,001)	(68,146)	(1,716,124)
Non-controlling interests	(56,862)	-	-	(56,862)
Net assets	846,886	47,869	151,782	1,046,537

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(d) Summarised financial information (continued)

The summarised statements of financial position of the joint ventures are as follows (continued):

30 June 2016	Emery Oleoche-micals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
Non-current assets	1,114,842	242,592	216,894	1,574,328
Current assets				
Cash and cash equivalents	226,791	5,005	13,798	245,594
Other current assets	1,003,189	23,711	36,873	1,063,773
	1,229,980	28,716	50,671	1,309,367
Non-current liabilities				
Financial liabilities (excluding trade and other payables)	(9,925)	-	(35,716)	(45,641)
Other non-current liabilities	-	-	(234)	(234)
	(9,925)	-	(35,950)	(45,875)
Current liabilities				
Financial liabilities (excluding trade and other payables)	(842,234)	(90,617)	(9,798)	(942,649)
Other current liabilities	(482,893)	(156,538)	(73,873)	(713,304)
	(1,325,127)	(247,155)	(83,671)	(1,655,953)
Non-controlling interests	(57,290)	-	-	(57,290)
Net assets	952,480	24,153	147,944	1,124,577

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(d) Summarised financial information (continued)

The summarised statements of financial position of the joint ventures are as follows (continued):

	Emery Oleoche-micals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
30 June 2017				
Non-current assets	1,026,148	248,393	207,025	1,481,566
Current assets				
Cash and cash equivalents	181,071	13,712	9,925	204,708
Other current assets	1,109,446	94,529	34,760	1,238,735
	1,290,517	108,241	44,685	1,443,443
Non-current liabilities				
Financial liabilities (excluding trade and other payables)	(10,678)	-	(62,185)	(72,863)
Current liabilities				
Financial liabilities (excluding trade and other payables)	(829,672)	(250,265)	(48,249)	(1,128,186)
Other current liabilities	(553,193)	(113,434)	(27,733)	(694,360)
	(1,382,865)	(363,699)	(75,982)	(1,822,546)
Non-controlling interests	(58,576)	-	-	(58,576)
Net assets	864,546	(7,065)	113,543	971,024

The summarised statements of financial position reflect the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures as well as post-acquisition changes to the fair value adjustments at the acquisition date.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(e) Reconciliations of summarised financial information

Reconciliations of the summarised financial information presented to the carrying amounts of the Group's interests in joint ventures are as follows:

	Emery Oleoche-micals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
30 June 2015				
Net assets				
At 1 July 2014	875,875	72,337	44,286	992,498
Total comprehensive loss	(65,520)	(24,468)	(9,243)	(99,231)
Additional investment in existing joint venture	36,531	-	17,208	53,739
Retained interest subsequent to disposal of subsidiary (Note 2.43)	-	-	86,981	86,981
Exchange differences	-	-	12,550	12,550
At 30 June 2015	846,886	47,869	151,782	1,046,537
Group's effective interest	50%	50%	30% - 51%	30% - 51%
Interests in joint venture	423,443	23,935	64,462	511,840
Carrying amount at end of the financial year	423,443	23,935	64,462	511,840
30 June 2016				
Net assets				
At 1 July 2015	846,886	47,869	151,782	1,046,537
Total comprehensive income/(loss)	105,594	(23,716)	(11,578)	70,300
Additional investment in existing joint venture	-	-	7,220	7,220
Exchange differences	-	-	520	520
At 30 June 2016	952,480	24,153	147,944	1,124,577
Group's effective interest	50%	50%	30% - 51%	30% - 51%
Interests in joint venture	476,240	12,077	62,935	551,252
Carrying amount at end of the financial year	476,240	12,077	62,935	551,252

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Joint ventures (continued)

(e) Reconciliations of summarised financial information (continued)

Reconciliations of the summarised financial information presented to the carrying amounts of the Group's interests in joint ventures are as follows (continued):

	Emery Oleoche-micals (M) Sdn Bhd RM'000	Emery Specialty Chemicals Sdn Bhd RM'000	Others RM'000	Total RM'000
30 June 2017				
Net assets				
At 1 July 2016	952,480	24,153	147,944	1,124,577
Total comprehensive loss	(87,934)	(24,153)	(38,633)	(150,720)
Exchange differences	-	-	4,232	4,232
At 30 June 2017	864,546	-	113,543	978,089
Group's effective interest	50%	50%	30% - 51%	30% - 51%
Interests in joint venture	432,273	-	47,402	479,675
Carrying amount at end of the financial year	432,273	-	47,402	479,675

The Group has capped the recognition of its share of losses incurred by Emery Specialty Chemicals Sdn Bhd ("ESC") as the Group's interests in ESC had been reduced to zero during the financial year and the Group does not have any obligations or guarantee of any obligations on behalf of ESC. The Group's share of losses in ESC for the current financial year amounted to RM15.4 million, of which RM3.5 million had not been equity accounted for. As at 30 June 2017, the unrecognised amounts of the Group's share of losses in ESC is RM3.5 million.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates

The Group's equity interest in the associates as at 1 July 2014, 30 June 2015, 30 June 2016 and 30 June 2017, their respective principal activities and countries of incorporation are shown in Note 2.51.

(a) Share of results of associates

The Group's share of results of associates are as follows:

	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
Share of results for the financial year	457	(6,706)	(5,929)

(b) Investments in associates

The Group's investments in associates are as follows:

	1 July 2014 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000
Unquoted shares, at cost	63,314	135,281	135,843	139,354
Share of post-acquisition reserves	6,393	6,160	(2,984)	(10,231)
	69,707	141,441	132,859	129,123

(c) Material associates

Set out below are the associates of the Group as at 1 July 2014, 30 June 2015, 30 June 2016 and 30 June 2017, which, in the opinion of the Directors, are material to the Group.

Name of associates	Group's effective interest %	Place of business/ Country of incorporation
Muang Mai Guthrie Public Company Limited	49	Thailand
Verdezyne, Inc.	36	United States of America

The Group's investments in associate companies are in private companies and there are no quoted market prices available for these shares.

There are no contingent liabilities in respect of the Group's interests in the associates.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates (continued)

(d) Summarised financial information

The summarised statements of comprehensive income of and dividends received from the associates are as follows:

	Muang Mai Guthrie Public Company Limited	Verdezyne, Inc.	Others	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2015				
Revenue	137,242	-	2,149	139,391
Profit/(loss) before tax	1,397	(1,304)	782	875
Tax expense	(165)	-	(95)	(260)
Profit/(loss) for the financial year	1,232	(1,304)	687	615
Dividends received	(1,055)	-	(12)	(1,067)
30 June 2016				
Revenue	157,837	-	3,762	161,599
Profit/(loss) before tax	5,803	(24,371)	(995)	(19,563)
Tax expense	(576)	-	(87)	(663)
Profit/(loss) for the financial year	5,227	(24,371)	(1,082)	(20,226)
Dividends received	(2,326)	-	(113)	(2,439)
30 June 2017				
Revenue	127,906	-	90,777	218,683
Profit/(loss) before tax	12,796	(30,430)	(2,320)	(19,954)
Tax expense	(219)	-	(118)	(337)
Profit/(loss) for the financial year	12,577	(30,430)	(2,438)	(20,291)
Dividends received	(1,266)	-	(53)	(1,319)

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates (continued)

(d) Summarised financial information (continued)

The summarised statements of financial position of the associates are as follows:

	Muang Mai Guthrie Public Company Limited	Verdezyne, Inc.	Others	Total
	RM'000	RM'000	RM'000	RM'000
1 July 2014				
Non-current assets	29,531	5,636	11,658	46,825
Current assets				
Cash and cash equivalents	847	31,833	13,471	46,151
Other current assets	28,025	236	1,260	29,521
	28,872	32,069	14,731	75,672
Non-current liabilities				
Financial liabilities (excluding trade and other payables)	(297)	(15,975)	(22)	(16,294)
Current liabilities				
Financial liabilities (excluding trade and other payables)	(16,714)	-	-	(16,714)
Other current liabilities	(1,379)	(3,898)	(272)	(5,549)
	(18,093)	(3,898)	(272)	(22,263)
Net assets	40,013	17,832	26,095	83,940

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates (continued)

(d) Summarised financial information (continued)

The summarised statements of financial position of the associates are as follows (continued):

	Muang Mai Guthrie Public Company Limited RM'000	Verdezyne, Inc. RM'000	Others RM'000	Total RM'000
30 June 2015				
Non-current assets	30,415	71,174	21,425	123,014
Current assets				
Cash and cash equivalents	422	4,360	7,790	12,572
Other current assets	38,474	11,189	1,189	50,852
	38,896	15,549	8,979	63,424
Non-current liabilities				
Financial liabilities (excluding trade and other payables)	(386)	(25,175)	(22)	(25,583)
Current liabilities				
Financial liabilities (excluding trade and other payables)	(22,169)	(2,918)	-	(25,087)
Other current liabilities	(2,404)	(37,728)	(402)	(40,534)
	(24,573)	(40,646)	(402)	(65,621)
Net assets	44,352	20,902	29,980	95,234

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates (continued)

(d) Summarised financial information (continued)

The summarised statements of financial position of the associates are as follows (continued):

	Muang Mai Guthrie Public Company Limited	Verdezyne, Inc.	Others	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2016				
Non-current assets	30,572	125,545	48,908	205,025
Current assets				
Cash and cash equivalents	307	56,739	3,936	60,982
Other current assets	29,794	1,044	8,203	39,041
	30,101	57,783	12,139	100,023
Non-current liabilities				
Financial liabilities (excluding trade and other payables)	(457)	(111,994)	(26)	(112,477)
Other non-current liabilities	-	-	(31,694)	(31,694)
	(457)	(111,994)	(31,720)	(144,171)
Current liabilities				
Financial liabilities (excluding trade and other payables)	(1,265)	(5,866)	(148)	(7,279)
Other current liabilities	(13,262)	(24,310)	(14)	(37,586)
	(14,527)	(30,176)	(162)	(44,865)
Net assets	45,689	41,158	29,165	116,012

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates (continued)

(d) Summarised financial information (continued)

The summarised statements of financial position of the associates are as follows (continued):

	Muang Mai Guthrie Public Company Limited RM'000	Verdezyne, Inc. RM'000	Others RM'000	Total RM'000
30 June 2017				
Non-current assets	38,912	212,704	55,859	307,475
Current assets				
Cash and cash equivalents	625	13,489	4,873	18,987
Other current assets	60,451	5,730	13,127	79,308
	61,076	19,219	18,000	98,295
Non-current liabilities				
Financial liabilities (excluding trade and other payables)	-	(143,513)	-	(143,513)
Other non-current liabilities	(584)	-	(33,237)	(33,821)
	(584)	(143,513)	(33,237)	(177,334)
Current liabilities				
Other current liabilities	(38,774)	(76,676)	(11,321)	(126,771)
Net assets	60,630	11,734	29,301	101,665

The above information reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates as well as post-acquisition changes to the fair value adjustments at the acquisition date.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates (continued)

(e) Reconciliations of summarised financial information

Reconciliations of the summarised financial information presented to the carrying amounts of the Group's interests in associates are as follows:

	Muang Mai Guthrie Public Company Limited	Verdezyne, Inc.	Others	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2015				
Net assets				
At 1 July 2014	40,013	17,832	26,095	83,940
Total comprehensive income/(loss)	1,232	(1,304)	687	615
Additional investments	-	1,204	42	1,246
Dividends declared	(2,152)	-	(31)	(2,183)
Exchange differences	5,259	3,170	3,187	11,616
At 30 June 2015	44,352	20,902	29,980	95,234
Group's effective interest	49%	30%	32% - 40%	30% - 49%
Interests in associates	21,732	40,325*	11,816	73,873
Goodwill	-	67,267	301	67,568
Carrying amount at end of the financial year	21,732	107,592	12,117	141,441

* The acquisition of a 30% equity stake in Verdezyne, Inc. for a total consideration of USD30 million was disbursed in 3 tranches. In the financial year ended 30 June 2015, interests in Verdezyne, Inc. consist of the accruals for the cost of investment of RM34.1 million (USD10 million) in relation to the third tranche as the conditions for the third tranche have been met.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates (continued)

(e) Reconciliations of summarised financial information (continued)

Reconciliations of the summarised financial information presented to the carrying amounts of the Group's interests in associates are as follows (continued):

	Muang Mai Guthrie Public Company Limited	Verdezyne, Inc.	Others	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2016				
Net assets				
At 1 July 2015	44,352	20,902	29,980	95,234
Total comprehensive income/(loss)	5,227	(24,371)	(1,082)	(20,226)
Additional investments	-	43,671	-	43,671
Dividends declared	(4,747)	-	(281)	(5,028)
Exchange differences	857	956	548	2,361
At 30 June 2016	45,689	41,158	29,165	116,012
Group's effective interest	49%	36.35%	32% - 40%	32% - 49%
Interests in associates	22,388	14,961	11,514	48,863
Goodwill	-	83,695	301	83,996
Carrying amount at end of the financial year	22,388	98,656	11,815	132,859

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.21 Associates (continued)

(e) Reconciliations of summarised financial information (continued)

Reconciliations of the summarised financial information presented to the carrying amounts of the Group's interests in associates are as follows (continued):

	Muang Mai Guthrie Public Company Limited	Verdezyne, Inc.	Others	Total
	RM'000	RM'000	RM'000	RM'000
30 June 2017				
Net assets				
At 1 July 2016	45,689	41,158	29,165	116,012
Total comprehensive income/(loss)	12,577	(30,430)	(2,438)	(20,291)
Increase in share capital	-	3,375	-	3,375
Dividends declared	(2,583)	-	(133)	(2,716)
Exchange differences	4,947	(2,369)	2,707	5,285
At 30 June 2017	60,630	11,734	29,301	101,665
Group's effective interest	49%	36.01%	32% - 40%	32% - 49%
Interests in associates	29,709	4,225	10,074	44,008
Goodwill	-	84,814	301	85,115
Carrying amount at end of the financial year	29,709	89,039	10,375	129,123

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.22 Intangible assets

	Goodwill RM'000	Assets usage rights RM'000	Intellectual property rights RM'000	Small holder relationship RM'000	Customer relationship RM'000	Software RM'000	Work-in-progress capitalised-agriculture development costs RM'000	Acquired brand name/ trademark RM'000	Total RM'000
2015									
At 1 July 2014	607	1,401	-	-	-	30,826	20,603	1,609	55,046
Acquisition of subsidiaries	1,879,839	-	-	535,625	10,790	-	-	42,974	2,469,228
Additions	-	-	16,800	-	-	7,109	25,167	1,204	50,280
Transfers from property, plant and equipment (Note 2.16)	-	-	-	-	-	2,322	-	-	2,322
Disposals	-	-	-	-	-	(2)	-	-	(2)
Amortisation (Note 2.6(a))	-	(129)	-	-	(1,336)	(15,265)	-	(1,567)	(18,297)
Exchange differences	82,905	-	-	32,805	478	(1,092)	-	2,534	117,630
At 30 June 2015	1,963,351	1,272	16,800	568,430	9,932	23,898	45,770	46,754	2,676,207
Cost	1,968,874	1,928	16,800	568,430	11,268	128,832	45,770	66,854	2,808,756
Accumulated amortisation	-	(656)	-	-	(1,336)	(104,535)	-	(20,078)	(126,605)
Accumulated impairment losses	(5,523)	-	-	-	-	(399)	-	(22)	(5,944)
Net book value as at 30 June 2015	1,963,351	1,272	16,800	568,430	9,932	23,898	45,770	46,754	2,676,207
Cost	6,130	1,928	-	-	-	120,056	20,603	22,394	171,111
Accumulated amortisation	-	(527)	-	-	-	(88,878)	-	(19,813)	(109,218)
Accumulated impairment losses	(5,523)	-	-	-	-	(352)	-	(972)	(6,847)
Net book value as at 1 July 2014	607	1,401	-	-	-	30,826	20,603	1,609	55,046

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.22 Intangible assets (continued)

	Goodwill RM'000	Assets usage rights RM'000	Intellectual property rights RM'000	Small holder relationship RM'000	Customer relationship RM'000	Software RM'000	Work-in-progress capitalised-agriculture development costs RM'000	Acquired brand name/ trademark RM'000	Total RM'000
2016									
At 1 July 2015	1,963,351	1,272	16,800	568,430	9,932	23,898	45,770	46,754	2,676,207
Additions	-	-	-	-	-	2,657	38,200	90	40,947
Transfers from property, plant and equipment (Note 2.16)	-	-	-	-	-	25	-	-	25
Impairment losses (Note 2.6(e))	-	-	-	-	-	(205)	-	(2,810)	(3,015)
Amortisation (Note 2.6(a))	-	(127)	-	(16,849)	(2,631)	(9,215)	-	(3,543)	(32,365)
Exchange differences	120,392	-	-	38,609	(551)	1,937	-	4,177	164,564
At 30 June 2016	2,083,743	1,145	16,800	590,190	6,750	19,097	83,970	44,668	2,846,363
Cost	2,089,266	1,927	16,800	606,759	10,395	134,567	83,970	69,580	3,013,264
Accumulated amortisation	-	(782)	-	(16,569)	(3,645)	(114,859)	-	(22,082)	(157,937)
Accumulated impairment losses	(5,523)	-	-	-	-	(611)	-	(2,830)	(8,964)
Net book value as at 30 June 2016	2,083,743	1,145	16,800	590,190	6,750	19,097	83,970	44,668	2,846,363

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.22 Intangible assets (continued)

	Goodwill RM'000	Assets usage rights RM'000	Intellectual property rights RM'000	Small holder relationship RM'000	Customer relationship RM'000	Software RM'000	Agriculture development costs RM'000	Work-in-progress capitalised-agriculture development costs RM'000	Acquired brand name/ trademark RM'000	Total RM'000
2017										
At 1 July 2016	2,083,743	1,145	16,800	590,190	6,750	19,097	-	83,970	44,668	2,846,363
Additions	3,306	-	-	-	-	21,035	-	11,218	3,267	38,826
Transfers to non-current assets held for sale (Note 2.31)	-	-	-	-	-	-	-	-	(1)	(1)
Write-off	-	-	-	-	-	(55)	-	-	(2,111)	(2,166)
Amortisation (Note 2.6(a))	-	(129)	(840)	(15,681)	(2,332)	(10,795)	(5,102)	-	(3,721)	(38,600)
Reclassification	-	-	-	-	-	-	86,550	(86,550)	-	-
Exchange differences	145,088	-	-	43,803	150	1,772	(39)	-	4,045	194,819
At 30 June 2017	2,232,137	1,016	15,960	618,312	4,568	31,054	81,409	8,638	46,147	3,039,241
Cost	2,237,660	1,927	16,800	647,494	10,545	175,163	86,497	8,638	75,049	3,259,773
Accumulated amortisation	-	(911)	(840)	(29,182)	(5,977)	(140,610)	(5,088)	-	(26,573)	(209,181)
Accumulated impairment losses	(5,523)	-	-	-	-	(3,499)	-	-	(2,329)	(11,351)
Net book value as at 30 June 2017	2,232,137	1,016	15,960	618,312	4,568	31,054	81,409	8,638	46,147	3,039,241

Included in the additions of the Group's intangible assets during the financial year is borrowing costs capitalised of RM0.3 million (30 June 2016: RM3.2 million, 30 June 2015: RM1.4 million).

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SIME DARBY PLANTATION BERHAD (647766-V)
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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.22 Intangible assets (continued)

Goodwill

The goodwill in the Group's consolidated statements of financial position represents mainly the excess of the purchase consideration over the fair value of identifiable assets, liabilities and contingent liabilities recognised upon the Group's acquisition of New Britain Palm Oil Limited ("NBPOL") and its subsidiaries during the financial year ended 30 June 2015.

The Group carries out its annual impairment assessment on the goodwill arising from the acquisition of NBPOL, which for the purposes of impairment testing has been allocated to cash generating units ("CGU") within the Group, namely NBPOL CGU and PT Minamas Gemilang and its subsidiaries ("Minamas Group") CGU as the Group believes that Minamas Group's operations will benefit from the additional synergies arising from the acquisition of NBPOL.

The impairment assessment is carried out on NBPOL CGU of USD367 million (equivalent to RM1,472.3 million as at 30 June 2016 and equivalent to RM1,575.7 million as at 30 June 2017) and Minamas Group CGU of USD150 million (equivalent to RM601.4 million as at 30 June 2016 and RM644.0 million as at 30 June 2017) in financial year ended 30 June 2016 and 30 June 2017 respectively.

The recoverable amounts of these two CGUs are based on their respective value-in-use calculations which are derived at using cash flows projection in which the following key assumptions are used:

NBPOL CGU	30 June 2016	30 June 2017
Projection period	A 40-year cash flow projection, based on the average remaining lease period of land in NBPOL	A 39-year cash flow projection, based on the average remaining lease period of land in NBPOL
FFB yields per hectare	24 - 32 mt/ha	24 - 32 mt/ha
Selling prices of crude palm oil ("CPO") per metric ton ("mt")	USD660 – USD845 per mt	USD710 – USD947 per mt
Discount rates	9.7% per annum	8.4% per annum

Minamas Group CGU	30 June 2016	30 June 2017
Projection period	A 48-year cash flow projection, based on the average remaining lease period of land in Indonesia	A 47-year cash flow projection, based on the average remaining lease period of land in Indonesia
FFB yields per hectare	19 - 33 mt/ha	19 - 33 mt/ha
Selling prices of crude palm oil ("CPO") per metric ton ("mt")	USD704 – USD800 per mt	USD617 – USD718 per mt
Discount rates	10.0% per annum	9.5% per annum

The key assumptions used in the assessment are based on the Group's historical trends, actual past performances, forecast of macroeconomic conditions and internal assessments of the potential capabilities of the Group benchmarked against other industry comparables. The Group's impairment assessment of both CGUs outlined above included a sensitivity analysis on the key assumptions used. Based on the results of the sensitivity analysis, no reasonable change in the key assumptions used would result in an impairment charge during the financial years ended 30 June 2016 and 30 June 2017.

Management believes that no impairment charge is required on the goodwill as at 30 June 2016 and 30 June 2017 as the recoverable amount calculated based on value-in-use exceeded the carrying value of the goodwill of NBPOL CGU and Minamas Group CGU by a significant margin.

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2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.22 Intangible assets (continued)

Smallholder relationships

The smallholder relationships arose from the acquisition of a controlling interest in a subsidiary. These assets reflect the relationship between the Group and smallholders who cultivate and harvest fresh fruit bunches ("FFB") on land which is owned by the Group. The FFB is subsequently purchased by the Group for processing as palm oil. These assets are initially recognised at fair value and thereafter amortised over the remaining lease term of the Group's land of 45 years.

Work-in-progress capitalised - agriculture development costs

Capitalised agriculture development costs comprise expenditure incurred relating to the development of oil palm genomic data and techniques, as well as clonal technology with the objective to increase yields and profit streams from the Group's plantation. Once the development enters into commercial production, the asset will be amortised over its estimated useful life.

During the financial year ended 30 June 2017, the Group had re-assessed the progress of the development projects and determined that distinct sections of the development project had been completed during the financial year and as a result commenced amortisation on a straight-line basis over 5 to 20 years.

Intellectual property rights

In the financial year ended 30 June 2015, the Company acquired intellectual property rights ("IP rights") on the genome base data from a third party, Synamatix Sdn Bhd for RM16.8 million. During the financial year ended 30 June 2017, the Group had performed an annual impairment assessment on the recoverable amount of the asset. The recoverable amount was determined based on the discounted cash flows from the use of the IP rights. The key assumptions adopted in the value-in-use computation are as follows:

	2015	2016
Annual discount rate	10%	9.1%
Annual replanting rate	5%	5%
Annual percentage of replanted areas using genome seeds		FY2018-
	FY2019: 25%	FY2020: 7%
	FY2020: 50%	FY2021: 33%
	FY2021: 75%	FY2022: 65%
	Thereafter 100%	Thereafter 100%

Based on the value-in-use computation, no impairment charge is required on the IP rights.

During the financial year ended 30 June 2017, the Group had re-assessed the estimated useful life of the IP rights which resulted in a revision of the useful life from indefinite to finite life. As a result, the Group amortised the IP rights on a straight line basis, over a period of 20 years, commencing from 1 July 2016. The annual amortisation charge amounted to RM840,000.

Acquired brand names

The acquired brand names mainly consists of fair value of brands in relation to the Group's beef, sugar and seed production operations which arose from the acquisition of NBPOL. The brands are initially recognised at fair value and thereafter amortised on a straight line basis over the estimated useful lives of 20 years.