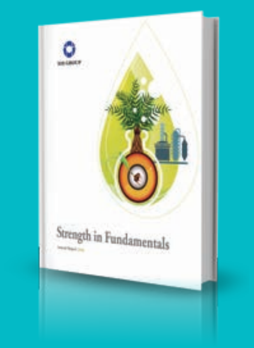
IOI GROUP

Strength in Fundamentals

Annual Report 2016



STRENGTH IN FUNDAMENTALS

IOI Corporation Berhad remains focused towards being a fully integrated palm oil producer by further strengthening its fundamentals in its plantation and resource-based manufacturing sectors. By improving the quality of our products and enhancing our operational efficiencies, we will continue to pursue profitability and sustainability and deliver value to our shareholders.

OUR VISION

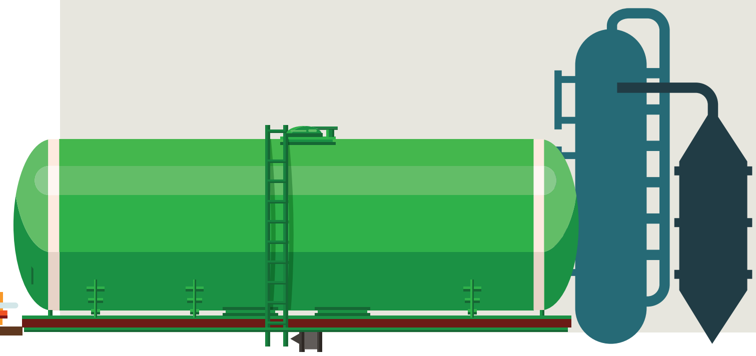
…is to be a leading corporation in our core businesses by providing products and services of superior values and by sustaining consistent long-term growth in volume and profitability.

We shall strive to achieve responsible commercial success by satisfying our customers' needs, giving superior performance to our shareholders, providing rewarding careers to our people, cultivating mutually beneficial relationship with our business associates, caring for the society and the environment in which we operate and contributing towards the progress of our nation.

OUR CORE VALUES

In our pursuit of Vision IOI, we expect our people to uphold, at all times, the IOI Core Values which are expressed as follows:

1. **INTEGRITY** which is essential and cannot be compromised
2. **COMMITMENT** as we do what we say we will do
3. **LOYALTY** is crucial because we are one team sharing one vision
4. **EXCELLENCE IN EXECUTION** as our commitments can only be realised through actions and results
5. **SPEED OR TIMELINESS** in response is important in our ever changing business environment
6. **INNOVATIVENESS** to provide us additional competitive edge
7. **COST EFFICIENCY** is crucial as we need to remain competitive



DIVIDEND PER SHARE
8.0 SEN
2015 – 9.0 SEN

PROFIT BEFORE INTEREST AND TAXATION
RM1.45 BILLION
2015 – RM1.24 BILLION

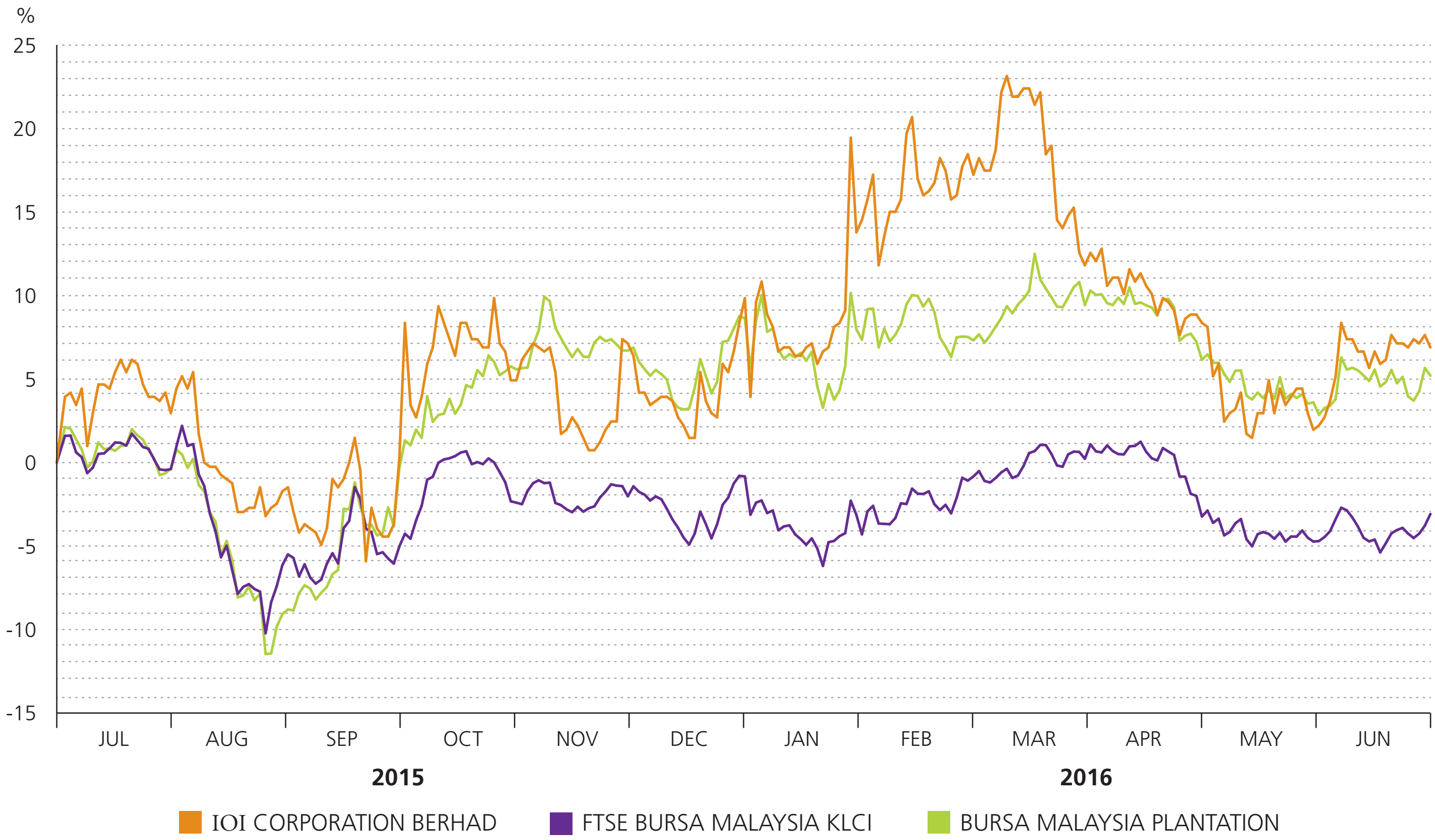
EARNINGS PER SHARE (SEN)
9.99 SEN
2015 – 0.82 SEN

OUR RESULTS

MARKET CAPITALISATION
RM27.29 BILLION
2015 – RM25.66 BILLION

SHARE PRICE
RM4.34
2015 – RM4.06

KEY INDICATORS



In RM million unless otherwise stated	2016 MFRS	2015 MFRS	2014 FRS	2013 FRS	2012 FRS
FINANCIAL					
Profit before interest and taxation	**1,449.6**	1,240.4	1,927.4	1,622.6	2,821.3
Profit attributable to owners of the parent	**629.7**	51.9	3,373.0	1,973.7	1,797.4
Equity attributable to owners of the parent	**7,138.1**	7,069.0	6,036.8	13,650.5	12,607.0
Return on average shareholders' equity (%)	**8.86**	0.68	34.27	15.03	14.62
Basic earnings per share (sen)	**9.99**	0.82	52.93	30.88	28.09
Gross dividend per share (%)	**80.0**	90.0	200.0	155.0	155.0
PLANTATION					
FFB production (MT)	**3,145,317**	3,542,222	3,506,706	3,408,935	3,185,878
Total oil palm area (Ha)	**179,271**	178,768	174,061	160,626	157,752
MANUFACTURING					
OLEOCHEMICALS					
Plant utilisation (%)	**82**	85	84	80	77
Sales (MT)	**595,820**	586,076	583,555	561,001	624,542
REFINERY					
Plant utilisation (%)	**62**	66	68	70	77
Sales (MT)	**2,427,326**	2,591,197	2,706,786	3,052,027	2,919,543
SPECIALTY OILS AND FATS					
Plant utilisation (%)	**47**	52	50	56	88
Sales (MT)	**782,972**	773,767	735,099	734,691	665,785

Note: *In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the above information for FY2015 and FY2016 have been prepared in accordance with MFRS, whereas information from FY2012 to FY2014 have been prepared in accordance with Financial Reporting Standards ("FRS").*

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47th ANNUAL GENERAL MEETING

IOI CORPORATION BERHAD (9027-W)

VENUE : Putrajaya Ballroom I (Level 3), Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Malaysia

DATE : Friday, 28 October 2016

TIME : 10:00 am

TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

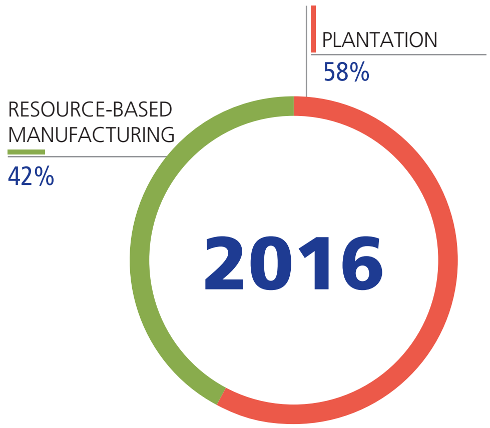
On behalf of the Board of Directors of IOI Corporation Berhad, it gives me great pleasure to present to you the Annual Report of the Company and the Group for the financial year ended 30 June 2016 ("FY2016").

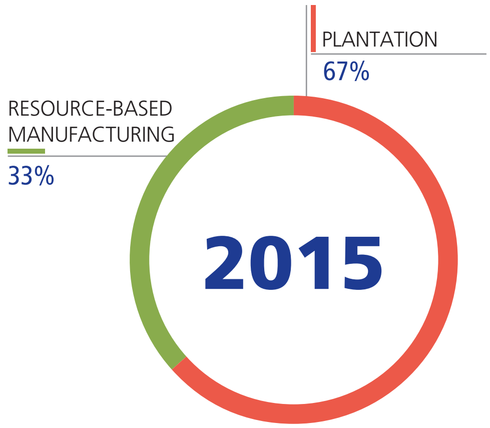
OPERATING ENVIRONMENT

The global economy was generally weak during the entire FY2016. Emerging and developing economies were faced with lacklustre trade flows and persistently low commodity prices, as well as a 12-year low of Brent crude oil prices of around USD28/- per barrel. Growth for the China economy moderated to 6.9% in 2015. In addition, the competitive devaluing of China's Renminbi heightened concerns over the health of the Chinese economy and the potential spillovers of its effects to trading partners around the globe. The unexpected Brexit vote in June 2016 has also sparked uncertainties in the financial markets and there were concerns of contagion effects with further European countries taking similar vote to leave the European Union.

Meanwhile, the Malaysian economy expanded by 4.2% during the first quarter of 2016, compared with 5.3% in the same period last year, but the growth slowed to 4.0% during the second quarter of 2016. On the foreign currency exchange ("FX") front, the beginning of interest-rate normalisation regime in the United States ("US") and the adjustment of China's currency rate coupled with the slowdown of China's economy contributed to high volatility in the FX and capital markets during the financial year. The Dollar/Ringgit exchange market started trading at 3.77 level at the beginning of our FY2016 and trended upwards during the months of August and September 2015 to as high as 4.45 level before settling down to 4.01 level at the end of the FY2016.

CONTRIBUTION TO SEGMENT RESULTS





CHAIRMAN'S STATEMENT (Cont'd)

On the operational front, FY2016 recorded the hottest periods impacted by the strong El Nino weather phenomenon that spawned droughts and weather-related calamities across the South East Asia region. Crude palm oil ("CPO") prices hovered at a lacklustre level between RM2,100/MT and RM2,200/MT during most of the first half of FY2016. However, prices recovered subsequently and peaked at more than RM2,800/MT in April 2016 after the reported fall in palm production caused mainly by El Nino.

As for the palm oil downstream segment, the refining sub-segment was again affected by negative refining and fractionation margins mainly due to excess capacity in the marketplace. Malaysian refiners also lost their competitiveness due to duty advantage enjoyed by their Indonesian counterparts.

The oleochemical sub-segment continued to face challenges following the graduation of Malaysia from the Generalised System of Preferences ("GSP") status in Europe in 2014 which gave oleochemical players in Indonesia some tariff advantage when they sell fatty acids products into Europe. The build-up of oleochemical capacities in Indonesia during the last two years has caused intense competition while the surge in palm kernel ("PK") oil prices during the second half of FY2016 affected our oleochemical sub-segment's profitability for the financial year under review.

As for our specialty oils and fats sub-segment, it experienced the most difficult times since the acquisition of Loders Croklaan group in 2002 from Unilever. This sub-segment was on a volume and profit growth path for some years especially in the Americas and Asia regions before the suspension of Roundtable on Sustainable Palm Oil ("RSPO") certification on IOI Group's businesses in April 2016. The suspension was subsequently lifted on 8 August 2016.

IOI continues to leverage on its best agronomic practices and efficient plantation management to create sustainable growth for the future.

With 90 estates in Malaysia and Indonesia totalling over 180,000 hectares of planted area, IOI is confident of driving positive growth prospects and cultivating a satisfactory performance.

REVIEW OF RESULTS

For FY2016, the Group reported a Profit Before Tax ("PBT") of RM965.8 million as compared to a PBT of RM316.4 million reported for FY2015. The higher PBT is due mainly to lower net foreign currency translation loss on foreign currency denominated borrowings and higher contribution from the resource-based manufacturing segment. Excluding the net foreign currency translation loss of RM318.5 million (FY2015 – RM735.3 million) on foreign currency denominated borrowings, the underlying PBT of RM1,284.3 million for FY2016 is 22% higher than the underlying PBT of RM1,051.7 million for FY2015.

The plantation segment's profit of RM842.2 million for FY2016 is slightly lower than the profit of RM865.3 million reported for FY2015. The lower profit reported is due mainly to lower fresh fruit bunches ("FFB") production which is mitigated by higher CPO and PK prices realised. FFB production for FY2016 was 3,145,317 MT as compared to 3,542,222 MT for FY2015.

The resource-based manufacturing segment's profit of RM606.4 million for FY2016 is 44% higher than the profit of RM420.4 million reported for FY2015 due mainly to fair value gain on derivative financial instruments of RM120.9 million (FY2015 – loss of RM109.6 million). Excluding the fair value gain/loss on derivative financial instruments, the underlying profit for the resource-based manufacturing segment for FY2016 is

strategic executions

RM485.5 million which is 8% lower than the underlying profit of RM530.0 million for FY2015. This is mainly due to lower margin derived from the oleochemical sub-segment as a result of high PK cost.

During the financial year under review, the Group has generated a net cash inflow from operating activities of approximately RM1.63 billion against RM1.45 billion generated during the last financial year, representing an increase of approximately 12.4% over the same period last year. The return on average capital employed (excluding the net foreign exchange translation loss on foreign currency denominated borrowings) for FY2016 is approximately 7.2% compared to 6.1% for the corresponding period last year. The return on shareholders' equity (excluding the net foreign exchange translation loss on foreign currency denominated borrowings) has also improved to approximately 13.4% for this financial year compared to 10.3% registered in FY2015.

A more detailed review of the Group's performance is covered under the section on "Management's Discussion and Analysis" in this Annual Report.

DIVIDENDS AND CAPITAL MANAGEMENT

During the year under review, two interim dividends totalling 8.0 sen per ordinary share amounting to a total payout of approximately RM503.5 million were declared. The dividends were declared out of the total net cash of RM1,632.0 million generated from operating activities for FY2016. The aforesaid total dividend payout represented approximately 31% of the Group's net cash flow generated from operating activities.

The Company continues to manage its capital in a proactive manner to enhance returns to shareholders while optimising gearing levels and providing for capital investment funding requirements.

During the year, the Company bought back 35,676,300 ordinary shares of the Company from the open market at an average price of RM4.01 per share, representing 0.6% of the issued and paid-up share capital of the Company.

The Group also continues to maintain healthy cash and cash equivalents, which as at 30 June 2016, stood at RM1.94 billion.

The various prestigious awards received by IOI is a strong testament to its excellent environmental management and executions.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

IOI has been embracing the values of sustainability and corporate responsibility ("CR") since the early days of its plantation operations. These sustainability values are an integral of our business and have been embedded in the Group's core values, policy statements and work practices across its global operations. For many years, the Group has been following a number of principles and criteria that were later codified by the RSPO diligently and consistently.

However, during the year under review, certain gaps with RSPO standards were discovered at parts of our plantations in Indonesia. This has led to the suspension of RSPO certification on the entire Group's RSPO palm oil production and sales in April 2016. Subsequent to the suspension, the Group has set up a Sustainability Steering Committee headed by the Group Chief Executive Officer, assisted by the Group Head of Sustainability and committee members comprising various business divisional heads, to oversee and manage sustainability developments of the Group. This committee reports to the Board of Directors. The Group has also put in place sufficient resources including consultants and specialists in peat and High Carbon Stock ("HCS") areas to guide us on the required action plans to rectify the aforesaid gaps and advise on sustainability initiatives going forward.

CHAIRMAN'S STATEMENT (Cont'd)

In addition, the Group has revised its Sustainable Palm Oil Policy ("SPOP") and drawn up a Sustainability Implementation Plan ("SIP"). The revised policy introduces new commitments on peatland landscape management and protection, peatland rehabilitation, enhanced fire prevention measures, and the implementation of a more robust labour rights monitoring system. As for the SIP, it sets out clearly the activities required to implement the sustainability policy commitments and contains milestones and timelines for each activity. This SIP will be regularly updated over time to reflect stakeholder input and implementation progress on the ground.

The combination of all the aforesaid measures and initiatives has resulted in RSPO lifting the suspension of certification on the Group on 8 August 2016. Going forward, our sustainability focus will be on the delivery of our policy commitments as well as continued constructive engagement with our customers and other stakeholder groups.

Besides driving sustainable profit growth and returns for the shareholders, the Group also undertakes many CR activities. These CR activities are carried out mainly through Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC"), a charitable foundation funded by the Group. To date, Yayasan TSLSC has contributed over RM36 million to various schools, hospitals, welfare homes and charitable organisations, and has given scholarships and grants to hundreds of schools and students.

The latest acquisition of Cremer Oleo's entire oleochemical manufacturing business enables a strategic future to be forged while enhancing the value chain of the Group and expanding the product portfolio of the IOI Oleochemicals Group.

Key highlights of the Group's sustainability measures and CR initiatives are covered in the "Sustainability and Corporate Responsibility" section.

BUSINESS DEVELOPMENTS

On the plantation front, our Indonesian subsidiary group, PT Sawit Nabati Agro ("SNA Group"), has to date planted approximately 21,000 hectares of oil palm trees, out of which 9,000 hectares are already mature. SNA Group has targeted to plant another 3,000 hectares in the later part of the financial year ended 30 June 2017 ("FY2017"). With more mature area coming on stream, we expect SNA Group to start contributing positive cash flow to the Group during FY2017.

On the specialty oils and fats sub-segment, as one of its main strategic initiatives to accelerate business and profit growth, the business has restructured its operating model to provide a stronger focus on three key global segments, namely confectionery, bakery and infant nutrition. This approach has helped the Group to identify various opportunities for growth of its specialty oils and fats business. Plans are also in place to set up new sales offices in the Philippines and Mexico during FY2017 to support the Group's entry into new geographical regions to serve our multinational and regional customers better. The Group will also be completing its 100,000 MT a year specialty oils and fats plant in Xiamen, the People's Republic of China by this coming December. This new plant will cater for the growing demand of semi and high-end specialty products by the affluent customers in China and North East Asia.

CORPORATE DEVELOPMENT

During the financial year under review, the Group has completed the purchase of Cremer Oleo GmbH & Co KG's entire oleochemical manufacturing business in Germany for a total purchase consideration of approximately €91.7 million (equivalent to RM423.1 million).

This acquisition is an important step for the Group to move up the value chain into a more specialised oleochemical business which will enable the Group to expand into the higher margin pharmaceutical, cosmetics, food and performance chemicals markets worldwide. It will also enable the transfer of advanced technical knowledge, application development and process know-how back to our Malaysian oleochemical production sites. In addition, it has created a number of collaborative opportunities between our oleochemical and our specialty oils and fats businesses in the areas of strategic sourcing, processing technology and cross-marketing.

PROSPECTS

The global economic growth for 2016 is projected to remain at 2.4% which is similar to last year. Growth in advanced economies is estimated to increase to 1.7%. In Asia, India, the largest palm oil importing country in the world, is expected to expand its economy by 7.6% while China's growth is expected to moderate to around 6.5% this year as compared to 6.9% last year. At the local front, the Malaysian economy is expected to expand at approximately 4% in 2016 due mainly to resilient domestic demand.

In the plantation segment, the Group expects positive growth prospects from its plantation associate, Bumitama Agri Ltd, and its subsidiary, SNA Group in Indonesia, as their young palm trees are at the prime production age. With the recent CPO and PK price rally due to low palm oil stocks and the expected increase in palm fruits production as the effect of the severe drought in 2015 wears off, the plantation segment is expected to perform satisfactorily.

In the resource-based manufacturing segment, given the prevailing high PK prices, we expect the operating conditions for our oleochemical sub-segment to remain challenging. However, the Group will rely on its established global sales and distribution networks, diverse product offerings and operational efficiency to sustain its oleochemical sub-segment's business performance in FY2017.

As for our specialty oils and fats sub-segment, the commissioning of the new Xiamen plant in early 2017 will enhance the competitiveness of the business in China and North East Asia. In addition, the impending ban on partially hydrogenated oils ("PHOs") in US will help our operations in the Americas region increase the sales of palm-based alternatives.

The recent sustainability measures and initiatives introduced by the Group will give us a stronger platform to sustain and grow our sustainability-based plantation and downstream manufacturing businesses.

The volatility of Dollar/Ringgit exchange rates will continue to affect the non-cash flow foreign exchange translation gain/loss arising from our US Dollar denominated borrowings although we expect the effect to moderate from previous years due to the reduction of our foreign currency borrowings and the relative stability of the crude oil price.

Overall, the Group expects its overall operating performance for FY2017 to be satisfactory.

IOI Loders Croklaan hosted various PHO removal courses to help food manufacturers and customers seamlessly eliminate PHO in product formulations without sacrificing taste, quality, or texture.

ACKNOWLEDGEMENTS

FY2016 has been a challenging year for IOI Group with the sluggish global economy, volatile Ringgit exchange rates, extreme drought caused by El Nino and the RSPO certification suspension. Despite these factors, the Group managed to record an overall satisfactory performance. In this respect, I wish to thank the management and all the employees for their tremendous effort, perseverance and passion in contributing to this year's results. I would also like to take this opportunity to welcome our IOI Oleo GmbH's employees in Germany to the family of IOI Group.

Finally, I wish to express my sincere thanks and appreciation to all our customers, business partners, government authorities, shareholders and fellow Board members for their confidence and continued strong support to the Group.

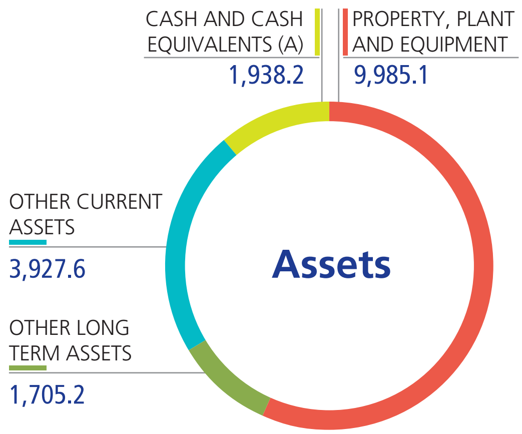
Thank you,

TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

GROUP FINANCIAL OVERVIEW

CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016
RM million

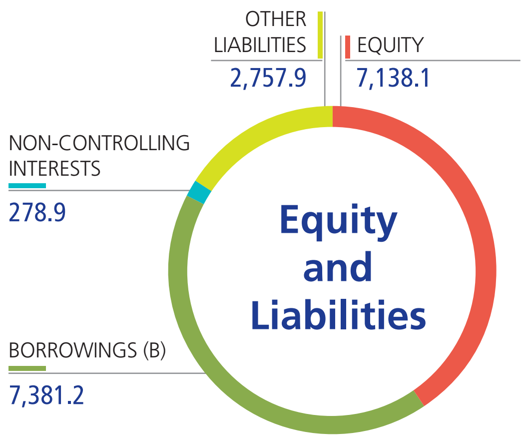
Net operating cash flow	1,632.0
Capital expenditure, net of disposal	(475.7)
Free cash flow from operation	1,156.3
Dividends received from investments	36.4
Proceeds from issuance of shares	7.0
Proceeds from disposal of investments, net of payment for other investments	40.4
Share repurchase by the Company	(143.2)
Finance costs paid	(217.4)
Acquisition of oleochemicals business, net of cash and cash equivalents and borrowings	(412.4)
Dividend payments	
– Shareholders of the Company	(504.1)
– Shareholders of subsidiaries	(7.4)
Cash outflow in net borrowings	(44.4)
Transaction cost of borrowings	(1.8)
Accretion of borrowings	(2.0)
Net increase in net borrowings	(48.2)
Net borrowings as at 30 June 2015	(4,859.9)
Translation difference	(534.9)
Net borrowings as at 30 June 2016	(5,443.0)



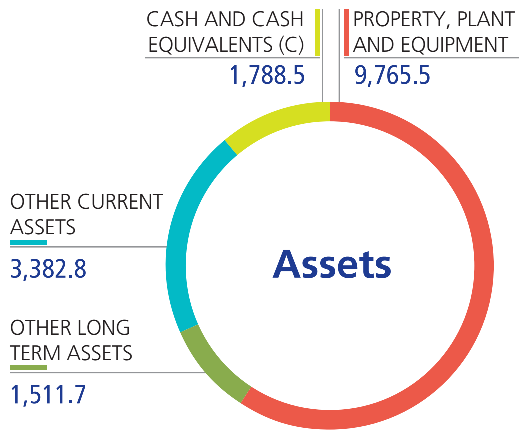
STATEMENT OF FINANCIAL POSITION AS AT

30 JUNE 2016

RM MILLION



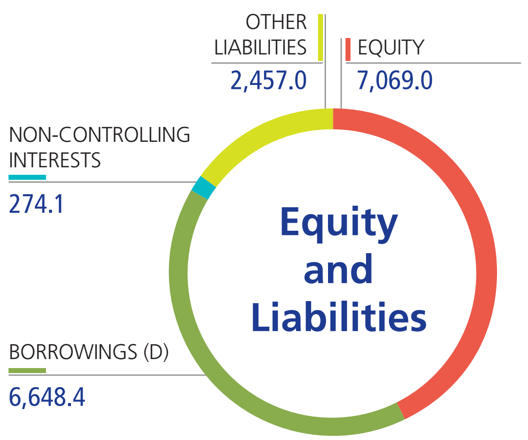
NET BORROWINGS = (B) – (A) = RM5,443.0 MILLION
NET GEARING = 76%



STATEMENT OF FINANCIAL POSITION AS AT

30 JUNE 2015

RM MILLION



NET BORROWINGS = (D) – (C) = RM4,859.9 MILLION
NET GEARING = 69%

RETAINED EARNINGS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016 ***RM million***	
Segment results	1,452.9
Unallocated corporate expenses	(3.3)
Profit before interest and taxation	1,449.6
Net foreign currency translation loss on foreign currency denominated borrowings	(318.5)
Net interest expenses	(165.3)
Profit before taxation	965.8
Taxation	(319.5)
Profit for the financial year	646.3
Other comprehensive loss	(1.7)
Total comprehensive income	644.6
Less: Attributable to non-controlling interests	(16.6)
Total comprehensive income attributable to owners of the parent	628.0
Dividends paid	(504.1)
Expiration of share options	30.9
Retained earnings for the financial year	154.8
Retained earnings as at 30 June 2015	7,040.1
Retained earnings as at 30 June 2016	7,194.9

GROUP PERFORMANCE HIGHLIGHTS

In RM million unless otherwise stated	2016	2015	% +/(-)
FINANCIAL PERFORMANCE			
Revenue	**11,739.3**	11,541.5	2
Profit before interest and taxation	**1,449.6**	1,240.4	17
Profit before taxation	**965.8**	316.4	205
Net operating profit after taxation ("NOPAT")	**812.4**	266.0	205
Net profit attributable to owners of the parent	**629.7**	51.9	1,113
Average shareholders' equity	**7,103.6**	7,628.3	(7)
Average capital employed	**15,802.9**	16,432.4	(4)
Operating margin (%)	**11.54**	9.89	17
Return on average shareholders' equity (%)	**8.86**	0.68	1,203
Return on average capital employed (%)	**5.14**	1.62	217
Basic earnings per share (sen)	**9.99**	0.82	1,118
Dividend per share – gross (sen)	**8.0**	9.0	(11)
Net assets per share (sen)	**114**	112	2
Dividend cover (number of times)	**1.25**	0.09	1,289
Interest cover (number of times)	**5.42**	2.12	155
PLANTATION PERFORMANCE			
FFB production (MT)	**3,145,317**	3,542,222	(11)
Yield per mature hectare (MT)	**21.41**	23.99	(11)
Mill production (MT)			
Crude palm oil	**697,334**	781,625	(11)
Palm kernel	**163,520**	187,718	(13)
Oil extraction rate (%)			
Crude palm oil	**21.55**	21.49	0
Palm kernel	**5.05**	5.16	(2)
Average selling price (RM/MT)			
Crude palm oil	**2,249**	2,221	1
Palm kernel	**1,740**	1,551	12
MANUFACTURING PERFORMANCE			
OLEOCHEMICALS			
Plant utilisation (%)	**82**	85	(4)
Sales (MT)	**595,820**	586,076	2
REFINERY			
Plant utilisation (%)	**62**	66	(6)
Sales (MT)	**2,427,326**	2,591,197	(6)
SPECIALTY OILS AND FATS			
Plant utilisation (%)	**47**	52	(10)
Sales (MT)	**782,972**	773,767	1

GROUP QUARTERLY RESULTS

In RM million unless otherwise stated	1st Quarter	%	2nd Quarter	%	3rd Quarter	%	4th Quarter	%	2016	%
Revenue	3,086.7	26	2,968.5	25	2,866.0	25	2,818.1	24	**11,739.3**	**100**
Operating profit	172.4	13	642.9	47	422.3	31	117.5	9	**1,355.1**	**100**
Share of results of associates	36.9	37	16.8	17	22.7	23	23.3	23	**99.7**	**100**
Share of results of joint ventures	(1.2)	23	(1.3)	25	(1.1)	21	(1.6)	31	**(5.2)**	**100**
Profit before interest and taxation	208.1	14	658.4	45	443.9	31	139.2	10	**1,449.6**	**100**
Interest income	12.3	23	12.6	24	15.5	29	12.9	24	**53.3**	**100**
Finance costs	(57.1)	26	(54.1)	25	(55.5)	25	(51.9)	24	**(218.6)**	**100**
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings	(853.9)	268	227.3	(71)	432.8	(136)	(124.7)	39	**(318.5)**	**100**
(Loss)/profit before taxation	(690.6)	(71)	844.2	87	836.7	87	(24.5)	(3)	**965.8**	**100**
Taxation	(51.2)	16	(128.5)	40	(104.7)	33	(35.1)	11	**(319.5)**	**100**
(Loss)/profit after taxation	(741.8)	(115)	715.7	111	732.0	113	(59.6)	(9)	**646.3**	**100**
Attributable to:										
Owners of the parent	(744.4)	(118)	703.7	112	729.4	116	(59.0)	(10)	**629.7**	**100**
Non-controlling interests	2.6	16	12.0	72	2.6	16	(0.6)	(4)	**16.6**	**100**
	(741.8)	(115)	715.7	111	732.0	113	(59.6)	(9)	**646.3**	**100**
(Loss)/earnings per share (sen)										
Basic	(11.78)		11.17		11.57		(0.94)		**9.99**	
Diluted	(11.78)		11.17		11.57		(0.94)		**9.99**	
Profit before interest and taxation on segmental basis										
Plantation	221.4	26	292.1	35	133.6	16	195.1	23	**842.2**	**100**
Resource-based manufacturing	(8.8)	(1)	368.6	61	305.1	50	(58.5)	(10)	**606.4**	**100**
Other operations	(0.9)	(21)	5.0	116	1.5	35	(1.3)	(30)	**4.3**	**100**
	211.7	15	665.7	46	440.2	30	135.3	9	**1,452.9**	**100**
Unallocated corporate (expenses)/income	(3.6)	109	(7.3)	221	3.7	(112)	3.9	(118)	**(3.3)**	**100**
Profit before interest and taxation	208.1	14	658.4	45	443.9	31	139.2	10	**1,449.6**	**100**

Note: *The Group Quarterly Results are prepared in accordance with Malaysian Financial Reporting Standards.*

FINANCIAL CALENDAR

FINANCIAL YEAR END **30 JUNE 2016**

ANNOUNCEMENT OF RESULTS

1st Quarter	16 November 2015
2nd Quarter	19 February 2016
3rd Quarter	18 May 2016
4th Quarter	23 August 2016
Notice of Annual General Meeting	29 September 2016
Annual General Meeting	28 October 2016

PAYMENT OF DIVIDENDS

1st	Interim	
	Declaration	19 February 2016
	Entitlement	8 March 2016
	Payment	18 March 2016
2nd	Interim	
	Declaration	23 August 2016
	Entitlement	9 September 2016
	Payment	23 September 2016

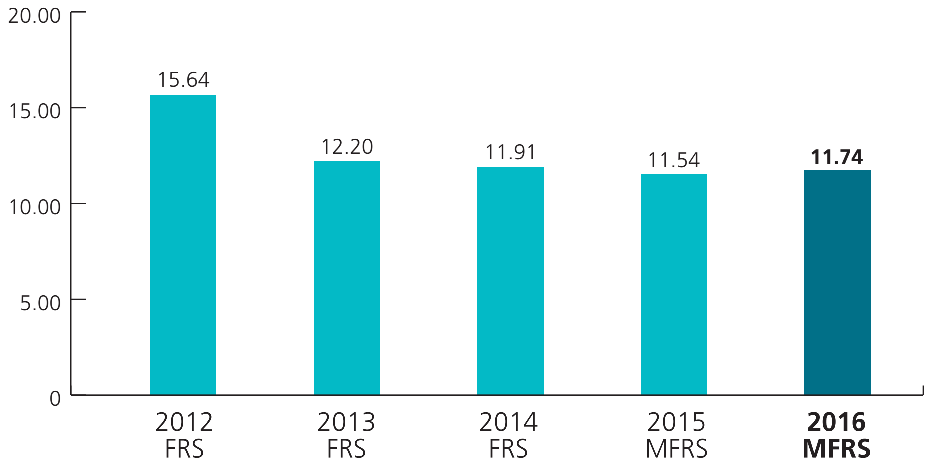
FIVE-YEAR FINANCIAL HIGHLIGHTS

In RM million unless otherwise stated	2016 MFRS	2015 MFRS	2014 FRS	2013 FRS	2012 FRS
RESULTS					
Revenue	**11,739.3**	11,541.5	11,910.6	12,198.5	15,640.3
Profit before interest and taxation	**1,449.6**	1,240.4	1,927.4	1,622.6	2,821.3
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings	**(318.5)**	(735.3)	(22.0)	200.4	(290.4)
Net interest expenses	**(165.3)**	(188.7)	(234.6)	(219.5)	(141.3)
Profit before taxation	**965.8**	316.4	1,670.8	1,603.5	2,389.6
Taxation	**(319.5)**	(261.6)	(408.4)	(320.2)	(553.1)
Profit for the financial year from continuing operations	**646.3**	54.8	1,262.4	1,283.3	1,836.5
Profit for the financial year from discontinued operations	**–**	–	2,127.3	714.9	–
Profit for the financial year	**646.3**	54.8	3,389.7	1,998.2	1,836.5
Attributable to:					
Owners of the parent	**629.7**	51.9	3,373.0	1,973.7	1,797.4
Non-controlling interests	**16.6**	2.9	16.7	24.5	39.1
ASSETS[1]					
Property, plant and equipment	**9,999.3**	9,765.5	6,410.0	5,928.6	5,713.7
Prepaid lease payments	**21.1**	6.7	30.1	129.2	29.6
Land held for property development	**–**	–	–	1,843.9	1,858.9
Investment properties	**6.9**	7.0	8.3	1,949.2	1,326.7
Associates	**937.5**	812.7	886.9	870.9	817.1
Joint ventures	**31.7**	35.2	33.0	3,686.1	3,483.1
Other assets	**708.0**	650.1	577.3	652.1	657.1
	11,704.5	11,277.2	7,945.6	15,060.0	13,886.2
Current assets	**5,851.6**	5,171.3	7,386.0	8,846.7	9,185.6
	17,556.1	16,448.5	15,331.6	23,906.7	23,071.8
EQUITY AND LIABILITIES[1]					
Share capital	**646.2**	645.9	645.0	643.4	642.7
Reserves	**6,491.9**	6,423.1	5,391.8	13,007.1	11,964.3
	7,138.1	7,069.0	6,036.8	13,650.5	12,607.0
Non-controlling interests	**278.9**	274.1	196.3	280.0	288.0
Total equity	**7,417.0**	7,343.1	6,233.1	13,930.5	12,895.0
Non-current liabilities	**6,314.7**	7,240.1	5,601.7	8,307.4	7,974.3
Current liabilities	**3,824.4**	1,865.3	3,496.8	1,668.8	2,202.5
Total liabilities	**10,139.1**	9,105.4	9,098.5	9,976.2	10,176.8
	17,556.1	16,448.5	15,331.6	23,906.7	23,071.8
Net operating profit after tax ("NOPAT")	**812.4**	266.0	1,709.6	2,208.4	1,979.9
Average shareholders' equity	**7,103.6**	7,628.3	9,843.7	13,128.8	12,295.3
Average capital employed[2]	**15,802.9**	16,432.4	18,322.9	22,010.4	19,881.6
FINANCIAL STATISTICS					
Basic earnings per share (sen)	**9.99**	0.82	52.93	30.88	28.09
Gross dividend per share (sen)	**8.0**	9.0	20.0	15.5	15.5
Net assets per share (sen)	**114**	112	95	214	197
Return on average shareholders' equity (%)	**8.86**	0.68	34.27	15.03	14.62
Return on average capital employed (%)	**5.14**	1.62	9.33	10.03	9.96
Net debt/Equity (%)[3]	**76.25**	68.75	58.57	32.35	29.83

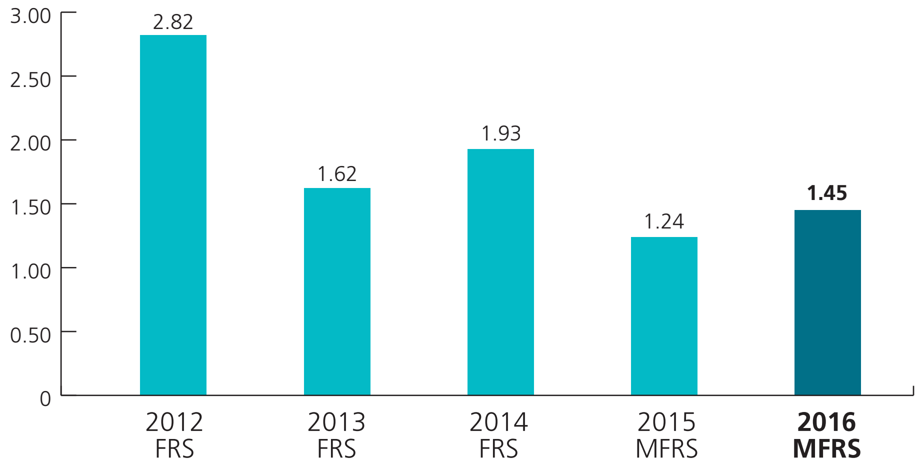
Notes:
1 *The Assets and Liabilities include Assets and Liabilities of disposal group held for sale.*
2 *Capital employed include shareholders' equity, non-controlling interests, long term liabilities, short term borrowings and deferred taxation.*
3 *Net debt represents total bank borrowings less short term funds, deposits with financial institutions and cash and bank balances.*

In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the above information for FY2015 and FY2016 have been prepared in accordance with MFRS, whereas information from FY2012 to FY2014 have been prepared in accordance with Financial Reporting Standards ("FRS").

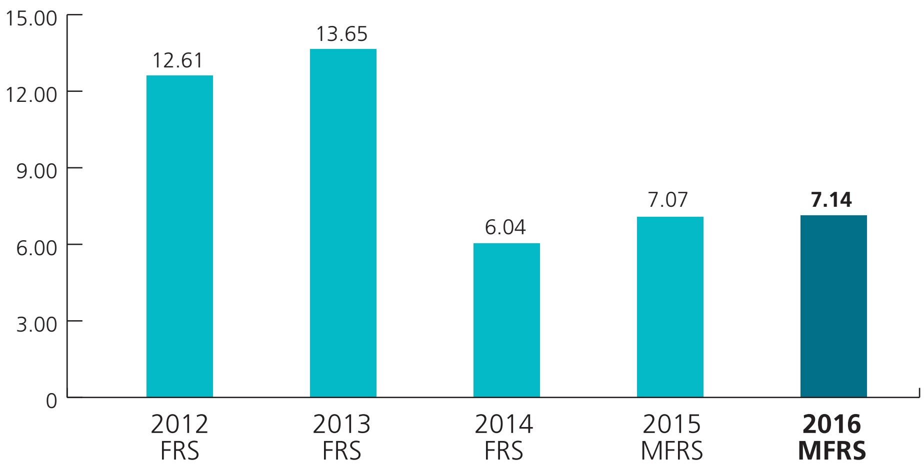
REVENUE
RM billion



PROFIT BEFORE INTEREST AND TAXATION
RM billion



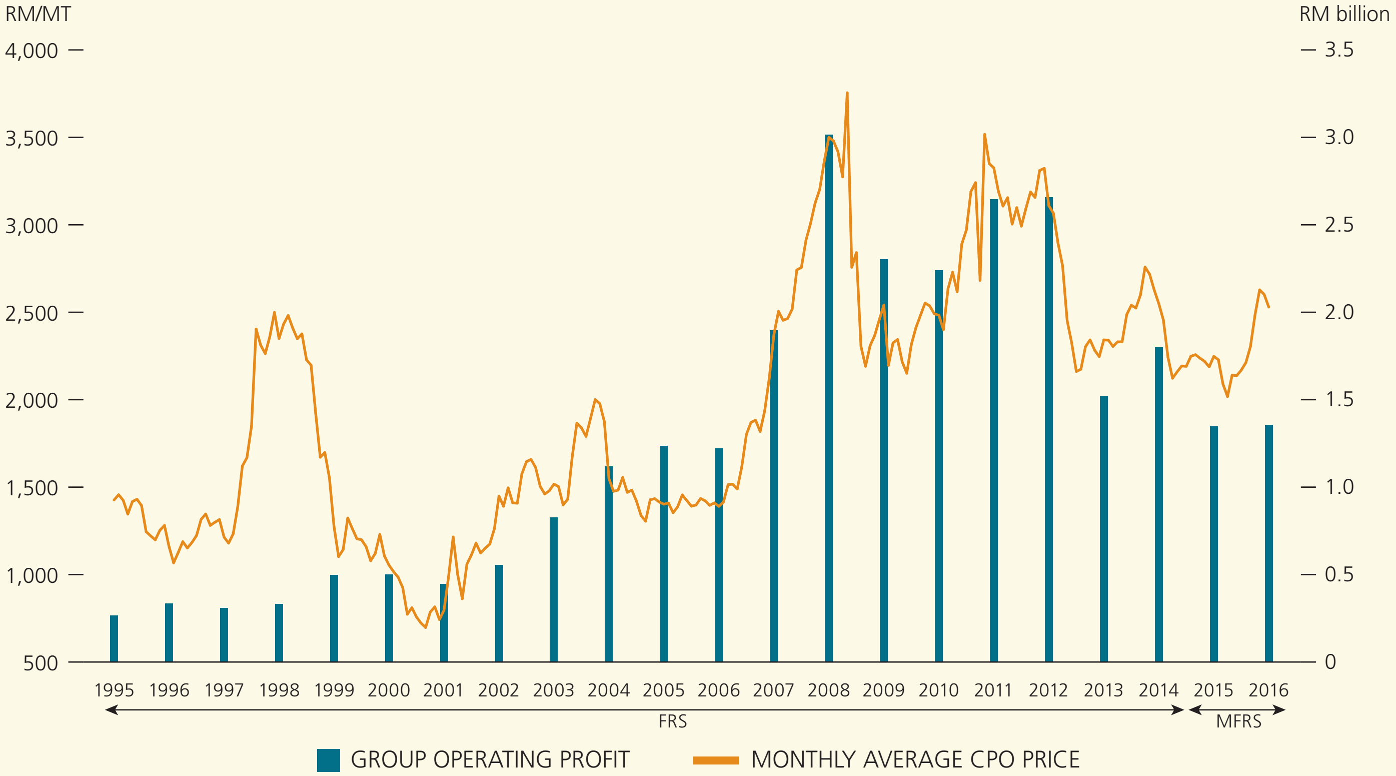
SHAREHOLDERS' EQUITY
RM billion



MANAGEMENT'S DISCUSSION AND ANALYSIS

Group Financial Review

GROWING THROUGH THE CYCLE



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INTRODUCTION

The purpose of this review is to highlight and provide brief insights on key financial and operating information at Group level. A more detailed commentary on operating performance is covered under the respective business segment reports.

KEY FINANCIAL INDICATORS

		2016	2015	Change %
Profit before interest and taxation ("PBIT")	RM million	**1,449.6**	1,240.4	17
Pre-tax earnings	RM million	**965.8**	316.4	205
Net earnings	RM million	**629.7**	51.9	1,113
Return on average shareholders' equity ("ROE")	%	**8.86**	0.68	1,203
Return on average capital employed ("ROCE")	%	**5.14**	1.62	217
Net operating profit after taxation ("NOPAT")	RM million	**812.4**	266.0	205
Total returns to shareholders				
– Capital appreciation (per RM0.10 share)	RM	**0.28**	(1.19)	124
– Dividend (per RM0.10 share)	sen	**8.0**	9.0	(11)
Net cash flow generated from operation	RM million	**1,632.0**	1,447.0	13
Net gearing	%	**76.3**	68.8	11

FINANCIAL HIGHLIGHTS AND INSIGHTS

- At Group level, the results for FY2016 versus FY2015 are best compared and explained at three levels, mainly, PBIT, Pre-tax and Net Earnings, as different factors affected the changes between the two fiscal years at the respective levels.

- Looking at **PBIT**, contributions from the segments are as follows:

	2016 RM million	Mix %	2015 RM million	Mix %	Change %
Plantation	**842.2**	**58**	865.3	70	(3)
Resource-based manufacturing	**606.4**	**42**	420.4	34	44
Palm oil – Total	**1,448.6**	**100**	1,285.7	104	13
Others including unallocated corporate income/(expenses)	**1.0**	**–**	(45.3)	(4)	102
Group's PBIT	**1,449.6**	**100**	1,240.4	100	17

- Plantation segment's PBIT decreased by 3% to RM842.2 million, due mainly to lower FFB production which is mitigated by higher CPO and PK prices realised.

- The resource-based manufacturing segment's PBIT increased by 44% to RM606.4 million. The increase in profit is due mainly to fair value gain on derivative financial instruments of RM120.9 million (FY2015 – loss of RM109.6 million) offset by lower margin from the oleochemical sub-segment arising from high palm kernel raw material cost.

- The improvement of results for other segment, including unallocated corporate income and expenses is mainly due to decrease in corporate expenses.

- **Pre-tax Earnings** increased by 205% over the last financial year. Apart from the increase in PBIT as explained in the foregoing paragraphs, the increase is also due to lower net foreign currency translation loss on foreign currency denominated borrowings amounted to RM318.5 million (FY2015 – RM735.3 million).

- At the **Net Earnings level**, profit attributable to owners of the parent increased to RM629.7 million.

- With the increase of net earnings, the Group recorded a **ROE** of 8.86% for FY2016 based on an average shareholders' equity of RM7,103.6 million (FY2015 – RM7,628.3 million), as compared to 0.68% recorded in the previous financial year.

- The **ROCE** increased to 5.14% for FY2016, up from 1.62% for FY2015.

- The Group strives to enhance ROE and ROCE by continuous improvement in operating performance and by active management of its capital structure. Initiatives undertaken by the Group include maintaining dividend pay-outs, share buy-back (and cancellation) programme and a continuous review and adjustment of the Group's debt gearing ratio having regard to maintaining stable credit ratings.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Group Financial Review

FINANCIAL HIGHLIGHTS AND INSIGHTS (Continued)

The equity reduction for purpose of capital management includes the following:

	2016 RM million	2015 RM million
Cash dividend	**503.5**	569.9
Share buy-back	**143.2**	179.2
Total equity repayments	**646.7**	749.1

- The Group generated an **Operating Cash Flow** of RM1,632.0 million for FY2016 against RM1,447.0 million for the previous financial year. Similarly, **Free Cash Flow** increased from RM945.0 million to RM1,156.3 million due mainly to increase in operating profit.

- For FY2016, the Group spent a total of RM481.7 million (FY2015 – RM551.2 million) for **Capital Expenditure ("Capex")**.

- The Group's **Shareholders' Equity** as at 30 June 2016 stood at RM7.1 billion, a marginal increase of RM0.1 billion or 1% over the previous financial year. Net earnings of RM0.6 billion was offset by total dividend payment of RM0.5 billion during the financial year.

- The Group's **Net Interest Cover** was 5.4 times (FY2015 – 2.1 times).

RETURNS TO SHAREHOLDERS

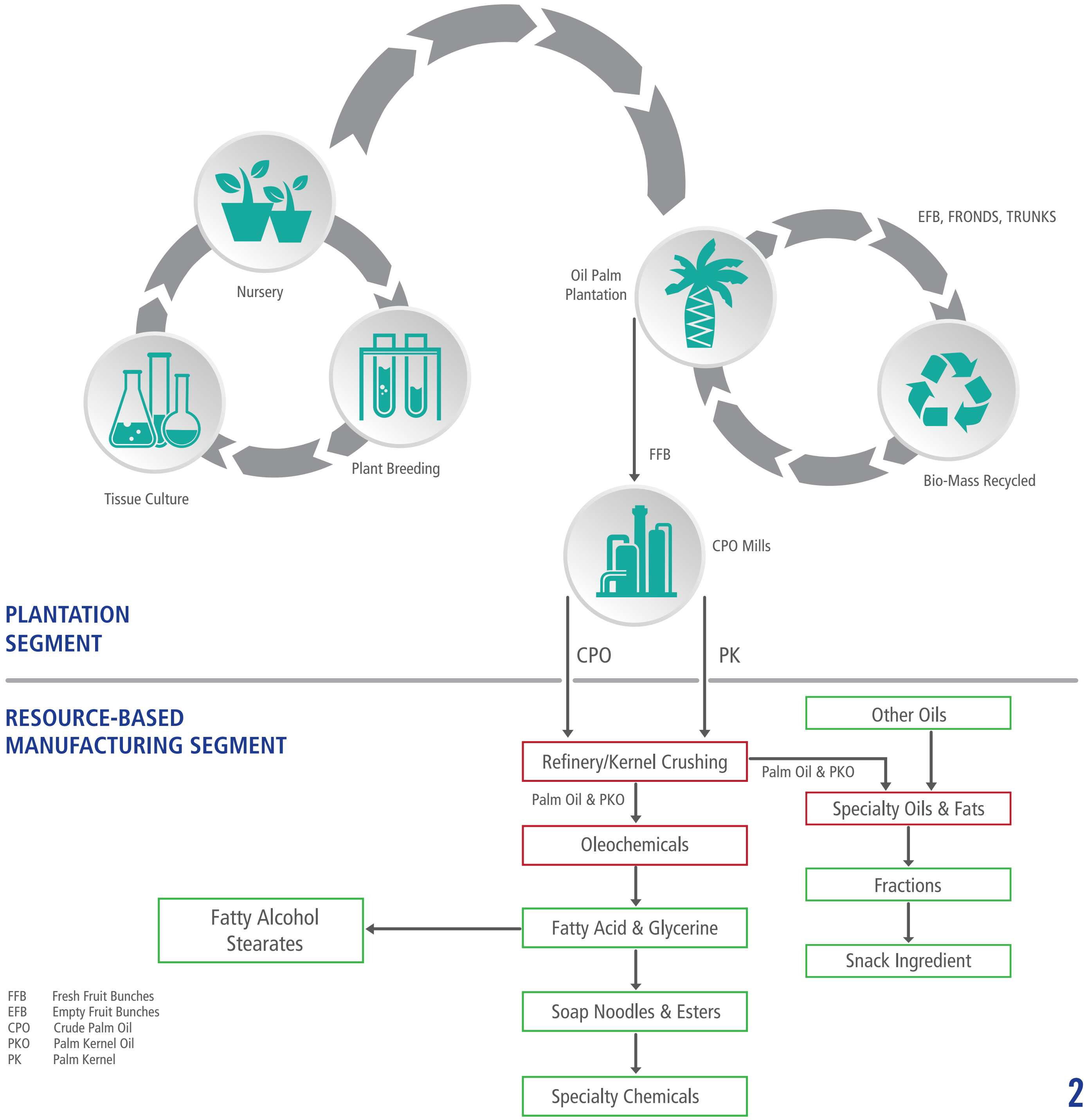
Two interim cash dividends totaling 8.0 sen per ordinary share amounting to a total payout of RM503.5 million were declared for FY2016.

If a shareholder had bought 1,000 ordinary shares in the Company ("IOIC Shares") when it was listed in 1980 and assuming the shareholder had subscribed/accepted for all rights issues and offer for sale to date and had not sold any of the shares, he would have as at 30 June 2016, 76,000 IOIC Shares worth RM329,840 based on IOIC Share price of RM4.34 and 44,333 IOI Properties Group Berhad Shares ("IOIPG Shares") worth RM104,183 based on IOIPG Share price of RM2.35. The appreciation in value together with the dividends and IOIPG Shares received less capital outlay translates to a remarkable compounded annual rate of return of 19.0% for each of the 36 years since the Company was listed.

The Company continues to manage its capital in a proactive manner to provide value to shareholders, optimise gearing levels and provide for funding requirements. The Group also continues to maintain a healthy cash and bank balance, which as at 30 June 2016 stood at RM1.94 billion, and a net gearing ratio of 76%.

PALM OIL BUSINESS STREAM

The Group's palm oil business comprises the plantation and downstream resource-based manufacturing segments. The vertical integration of these two business segments has increased significantly over the last few years as the Group expanded and moved more aggressively into downstream activities. Consequently, a substantial portion of the Group's plantation produce, i.e. crude palm oil and palm kernel, is being utilised in our downstream manufacturing operations. For the financial year ended 30 June 2016, approximately 91% (FY2015 – 91%) of our plantation revenue of RM1.9 billion comprises sales to our manufacturing segment. To supplement downstream requirement, purchase of CPO and PKO are also made from pre-qualified suppliers. The integration of the two business segments is best illustrated in the following diagrams:



FFB	Fresh Fruit Bunches
EFB	Empty Fruit Bunches
CPO	Crude Palm Oil
PKO	Palm Kernel Oil
PK	Palm Kernel

PLANTATION

Banking on fundamentals for our continued success

Our success in the plantation segment has been spearheaded by good plantation management practices as well as advanced agronomic practices. By leveraging on these competitive strengths to pursue cost efficiency and higher productivity, our growth as a global leading player in the oil palm industry is firmly on track.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group Business Review – Plantation

TOTAL PLANTED AREA*

180,322 Hectares

TOTAL ESTATES

90

99%

PLANTED WITH OIL PALM

15 Palm Oil Mills

ANNUAL MILLING CAPACITY OF

4.75 Million

TONNES OF FFB

** Excludes area owned by associate companies.*

Harvesting of FFB is done at an optimum time for good yields.

Plantation is the core business of the Group which contributes to more than half of the Group's earnings. The Group is engaged in cultivation of oil palm and processing of palm oil with operations in the full spectrum of the palm oil value chain from the upstream activities of seed breeding and planting to crop oil extraction to the downstream resource-based manufacturing activities. With 90 estates in Malaysia and Indonesia, IOI continues its growth by sustaining the efficiency and productivity of its operations.

As at 30 June 2016, the Group's total planted area owned by subsidiary and associate companies stood at 180,322 hectares (FY2015 – 179,822 hectares) and 125,499 hectares (FY2015 – 114,198 hectares) respectively. Approximately 99% of the planted area owned by subsidiary companies are planted with oil palm.

The Group has 90 estates and the total oil palm planted area as at the end of the financial year under review stood at 179,271 hectares. Approximately 64% of the Group's oil palm plantation holdings are in East Malaysia, 24% in Peninsular Malaysia and the remaining 12% in Indonesia. The Group's plantation produce are principally processed by its 15 palm oil mills with an annual milling capacity of approximately 4,750,000 tonnes of fresh fruit bunches ("FFB").

Over the years, the Group has been able to sustain as one of the most cost efficient producers in the industry due to management's emphasis on continuous improvement in efficiency and productivity of its operations. Achievements in productivity are the result of years of concerted effort and commitment to good plantation management practices.

Our commitment to quality in the plantation business begins with the use of superior planting materials to ensure high oil yield as well as quality of the palm oil produced. We have a dedicated research team focused on improving FFB yields and oil extraction rates, and carrying out research involving tissue culture to cultivate planting materials with superior traits.

Oil palm fruits ripe for processing.

Molecular and genomic research for improving oil palm yield and productivity are undertaken in the Molecular Research Laboratory of IOI Palm Biotech Centre.

Our Tissue Culture Laboratory, with BioNexus status, was originally set up in the late 80s for research and development in large scale tissue culture propagation of high-yielding oil palm clones. The expertise and cutting-edge technology for the mass propagation of high-yielding oil palm clones had been developed through years of intensive and systematic research.

Over the years, millions of high-yielding clonal palms had been produced and field planted in trials and commercial planting areas. In addition to tissue culture propagation of high-yielding clonal palms, IOI Palm Biotech Centre also carries out in-house molecular research projects, and has been a partner of an International Consortium involved in collaborative research on Oil Palm Genome Projects. The objectives of these collaborative researches are to maximise the exploitation and development of genomic resources in oil palm, for the continuous improvement in the yield and quality of palm oil, leading to long-term profitability and optimum sustainability of our oil palm business.

The yields of oil palms also depend on other factors such as soil and climatic conditions, the quality of plantation management, and harvesting and processing of the FFB at the optimum time. In this respect, hands-on management, proactive attitude and attention to detail have contributed to higher productivity. In addition, we also have a team of in-house agronomists to conduct various analyses and studies with the objective of ensuring quality palms and fruits, including studies on oil palm nutrient status, palm appearance, ground conditions, pests and diseases affecting palms and pruning methods to ensure that best practices for sustainable agriculture are practised by the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Group Business Review – Plantation

PLANTATION STATISTICS

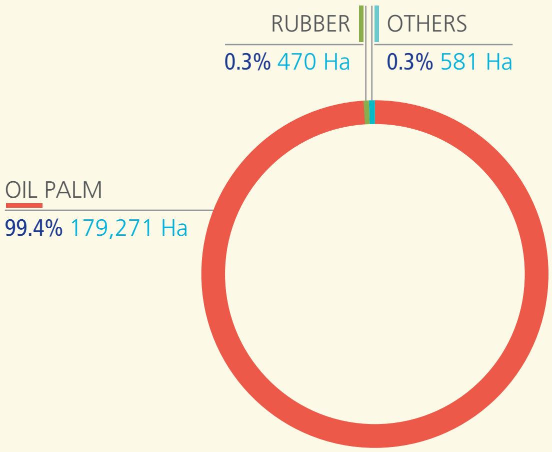
Crop Statement

	2016	2015	2014	2013	2012
OIL PALM					
Average mature area harvested (hectare)	**146,912**	147,661	146,126	139,379	137,455
FFB production (tonne)	**3,145,317**	3,542,222	3,506,706	3,408,935	3,185,878
Yield per mature hectare (tonne)	**21.41**	23.99	24.00	24.46	23.18
Mill production (tonne)					
Crude palm oil	**697,334**	781,625	751,536	708,028	668,177
Palm kernel	**163,520**	187,718	186,450	179,115	164,235
Oil extraction rate (%)					
Crude palm oil	**21.55**	21.49	21.21	20.84	20.95
Palm kernel	**5.05**	5.16	5.26	5.27	5.15
Average selling price (RM/tonne)					
Crude palm oil	**2,249**	2,221	2,509	2,433	3,135
Palm kernel	**1,740**	1,551	1,709	1,241	1,912

Area Statement

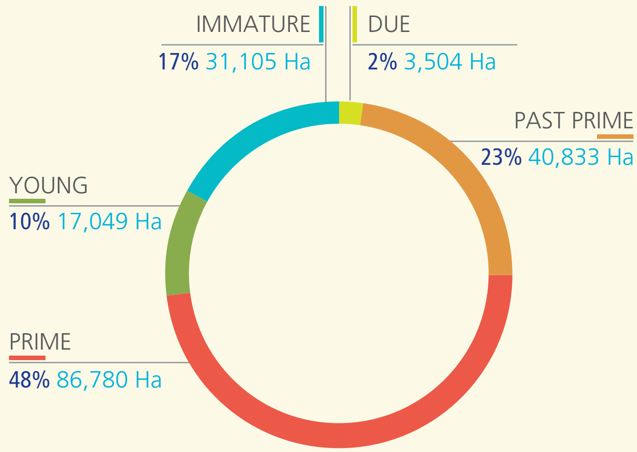
IN HECTARES	2016	2015	2014	2013	2012
OIL PALM					
Mature	**148,166**	149,749	150,482	142,075	138,892
Immature	**31,105**	29,019	23,579	18,551	18,860
	179,271	178,768	174,061	160,626	157,752
RUBBER					
Mature	**282**	–	–	–	–
Immature	**188**	470	465	495	496
	470	470	465	495	496
Others	**581**	584	605	633	633
Total planted area	**180,322**	179,822	175,131	161,754	158,881
Nursery	**143**	143	144	114	129
Estate under development	**9,263**	8,235	13,241	2,303	2,454
Housing projects	**–**	–	–	1,242	1,242
Labour lines, building sites and others	**28,189**	18,718	18,605	17,794	17,294
Total area	**217,917**	206,918	207,121	183,207	180,000

Crop Mix



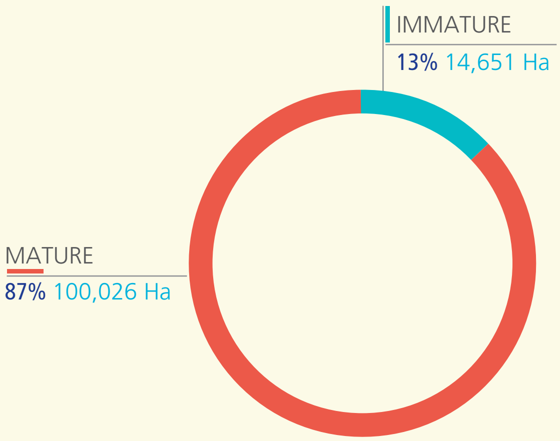
Total Planted Area – 180,322 Ha

Oil Palm Hectarage by Age

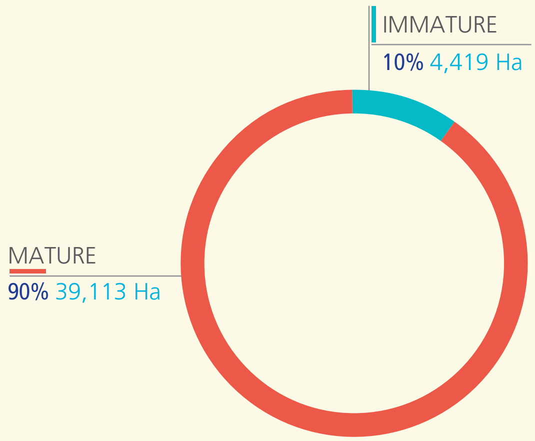


Total Oil Palm Planted Area – 179,271 Ha

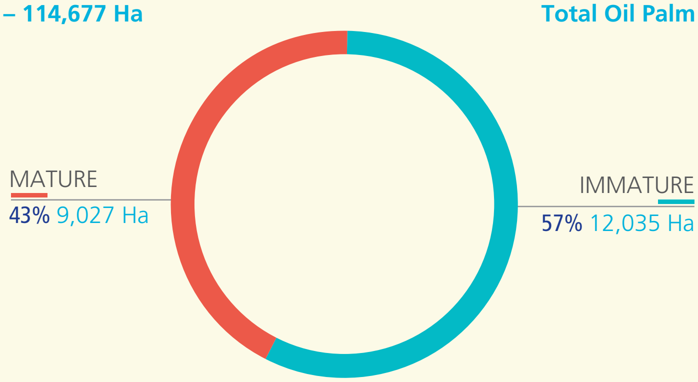
Oil Palm Hectarage by Region



East Malaysia – 64%
Total Oil Palm Area – 114,677 Ha



Peninsular Malaysia – 24%
Total Oil Palm Area – 43,532 Ha

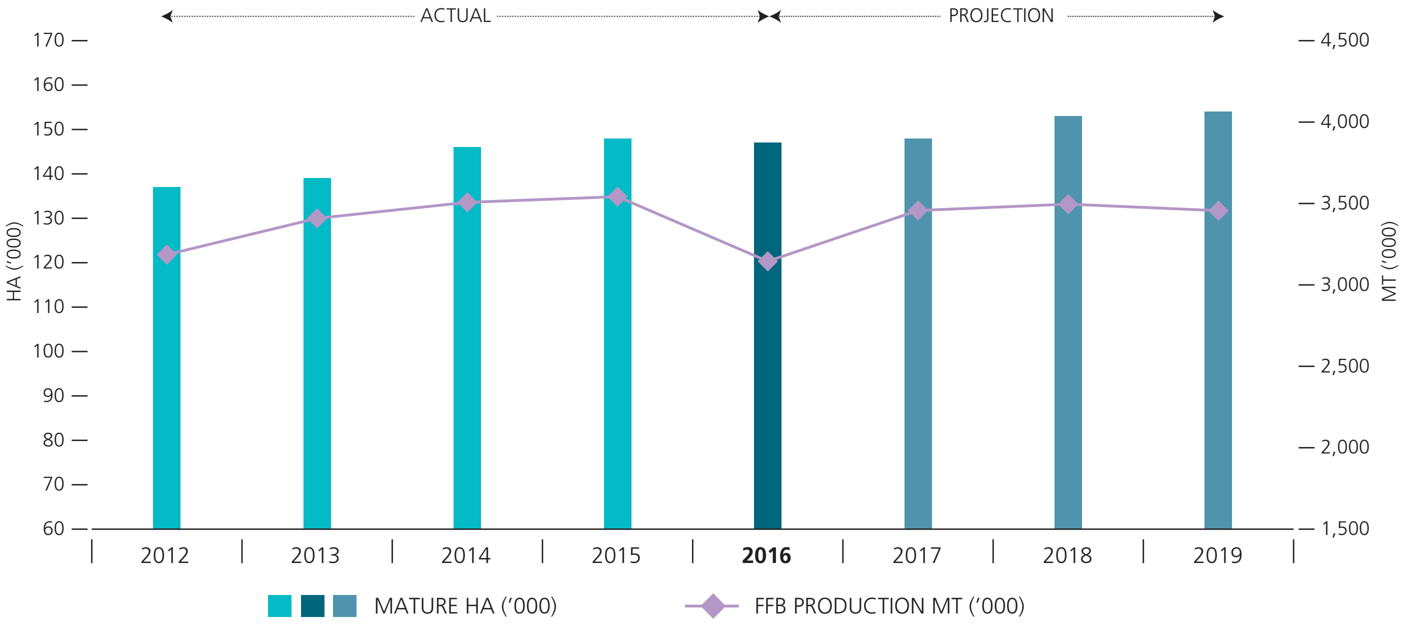


Indonesia – 12%
Total Oil Palm Area – 21,062 Ha

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Group Business Review – Plantation

MATURE OIL PALM AREA/FFB PRODUCTION



Estate worker making sure the nursery gets daily water needs.

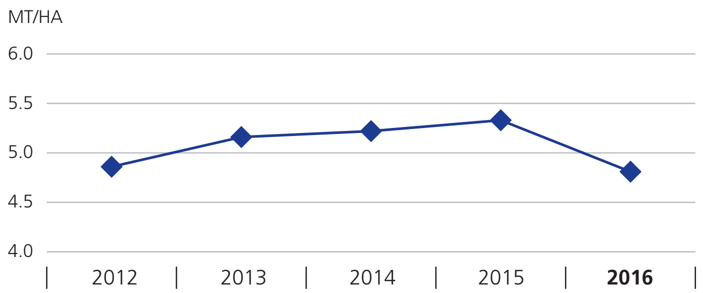
OPERATIONS REVIEW

For FY2016, the Group's plantation segment reported a slightly lower profit of RM842.2 million as compared to RM865.3 million for FY2015. The lower profit reported is due mainly to lower FFB production which is mitigated by higher crude palm oil ("CPO") and palm kernel ("PK") prices realised.

The Group's estates produced a total of 3.145 million MT of FFB which is about 11% lower than the previous year mainly due to lower yield.

The FFB yield dropped further to 21.41 MT as compared to 23.99 MT per mature hectare in the previous year. This drop in FFB yield pushed down the oil yield to 4.81 MT per hectare.

OIL YIELD PER MATURE HECTARE



An overview showcasing nursery and mature oil palm trees at Pukin Estate, Pahang.

effective practices

The Group's best performing estate was Meliau Estate in Sabah which achieved a yield of 6.06 MT of CPO per hectare for FY2016.

The cess and tax incurred for the financial year are as follows:

	2016 RM'000	2015 RM'000
MPOB cess	**8,872**	10,067
Windfall profit levy	**594**	–
Sabah sales tax	**79,936**	89,822
	89,402	99,889

For capital expenditure, the segment spent a total of RM237.3 million for FY2016 as compared to RM286.3 million for the previous financial year. The capital expenditure was primarily incurred on new and replanting of oil palm, construction of staff quarters, acquisition of agricultural equipment and vehicles.

For FY2016, we have replanted 6,276 hectares of oil palm with our own high-yielding materials which include clonal palms. Going forward, we will replant 6,000 to 9,000 hectares per year. As for new planting activities in Indonesia, we have planted 21,062 hectares to date and we target to plant about 3,000 hectares per year in the next three years.

OUTLOOK AND PROSPECTS

CPO prices continued to trade at above RM2,400/MT in August 2016. We foresee palm oil prices to pick up as demand is holding well. Coupled with expected increase in palm production over the next few months, the plantation segment is expected to perform satisfactorily.

Buffaloes are used to assist estate workers in collecting FFB.

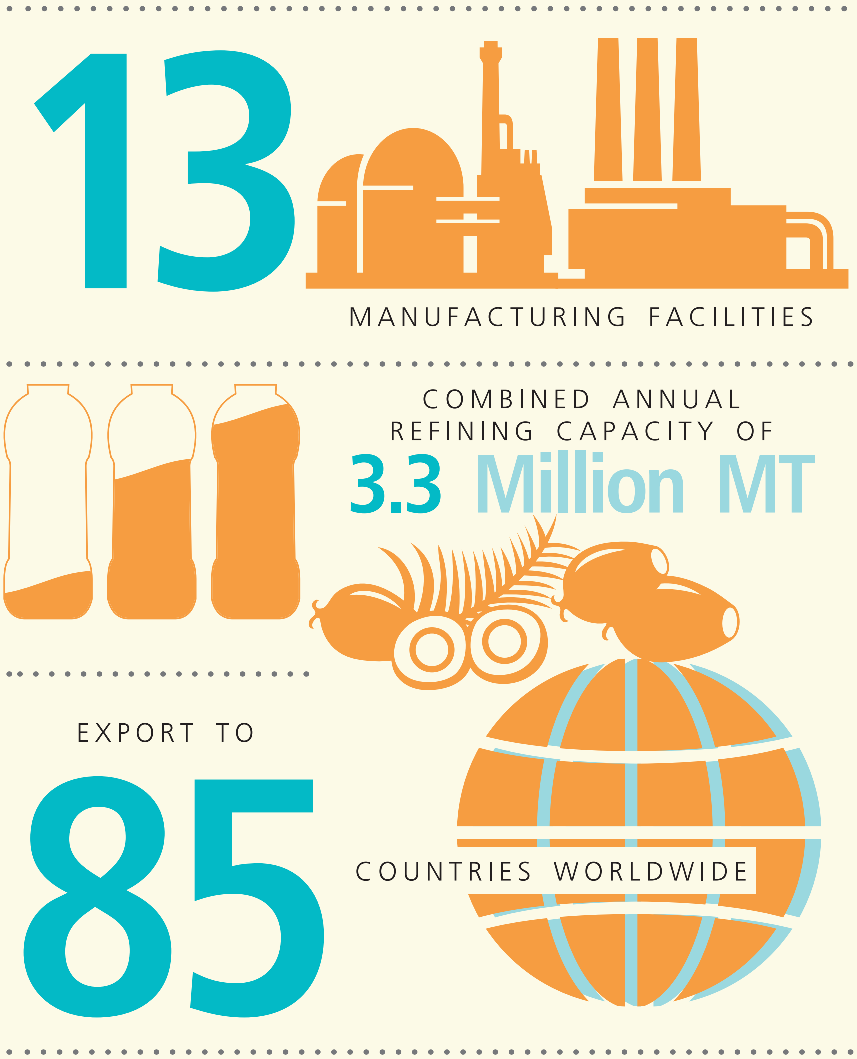
RESOURCE-BASED MANUFACTURING

Ensuring continued productivity with cutting-edge capabilities

We are a global leader in specialty oils and fats as well as a leading vegetable-based oleochemical producer. Our cutting-edge manufacturing facilities as well as research and product application capabilities are a testament of our continuing commitment to quality and innovation. By leveraging on these strengths, we will keep driving productivity and efficiency improvements to deliver added value to our customers worldwide.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group Business Review – Resource-Based Manufacturing



The automated High Precision Analytical System in IOI Oleochemical's manufacturing plant ensures superior quality of products through precision testing.

The Group's global resource-based manufacturing business fortifies its integrated palm value chain. It consists of downstream activities such as refining of crude palm oil and palm kernel oil, and the processing of refined palm oil and palm kernel oil into oleochemical and specialty oils and fats products. Its manufacturing facilities in Malaysia, the Netherlands, Germany, USA and Canada are well-equipped to meet the needs of its customers worldwide.

IOI Oleochemical's new plant in Wittenberge, Germany produced a sales volume of 17,655 MT in 2015.

IOI Oleochemical's warehouse facilities adhere to strict quality standards and international compliances.

REFINING

The Group owns four palm oil refineries, three located in Malaysia and one in the Netherlands. They have a combined annual refining capacity of 3,300,000 MT.

In Malaysia, two of the refineries are situated in Pasir Gudang, Johor. They have a combined annual refining capacity of 1,100,000 MT. The third refinery in Malaysia is located in Sandakan, Sabah with an annual refining capacity of 1,000,000 MT. The fourth refinery which is located in Rotterdam, the Netherlands has an annual refining capacity of 1,200,000 MT. Our refineries are strategically located close to our plantations, mills, and along the major shipping routes with direct port access.

These refineries produce palm and palm kernel oil fractions for export as well as feedstock for the Group's downstream activities. Our manufacturing premises are ISO 9001:2000 and HACCP accredited. In addition, in line with the Group's commitment to the Roundtable on Sustainable Palm Oil ("RSPO"), our refineries are all RSPO-certified to handle segregated RSPO oil on a large scale. In addition to our Rotterdam refinery, our Sandakan refinery has also attained its International Sustainability and Carbon Certification ("ISCC") in mid-2016.

With the Group's integrated business model, our refineries play a pivotal role in the entire palm oil supply chain. We are also able to realise operational efficiencies and synergies.

OLEOCHEMICAL MANUFACTURING

The principal activities of the oleochemical sub-segment are the manufacturing and sales of fatty acids, glycerine, soap noodles and fatty esters. These versatile products are used in a wide variety of applications, including manufacturing of detergents, surfactants, shampoos, soaps, cosmetics, pharmaceutical products, food additives and plastics.

The oleochemical products are exported to more than 60 countries worldwide mainly to Japan, China and Europe. Its customers include some of the world's largest multinational corporations.

The oleochemical manufacturing activities are undertaken in Penang and Johor by various wholly-owned subsidiaries of IOI Oleochemical Industries Berhad. With a combined total capacity of 740,000 MT, the oleochemical sub-segment is one of the leading vegetable-based oleochemical producers in the world.

In our pursuit to move further up the value chain, we have ventured into a more specialised downstream oleochemical manufacturing business in Germany during the financial year. This oleochemical specialty business has two production plants with a combined processing capacity of approximately 39,200 MT per annum, and serves an established customer base predominately in the pharmaceutical and cosmetic sectors.

We intend to also transfer some of its advanced technical, application development and process know-how back to Malaysia to benefit the existing oleochemical production sites within the IOI Oleochemicals Group, especially the new fatty ester production of IOI Esterchem (M) Sdn Bhd.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Group Business Review – Resource-Based Manufacturing

enduring resilience

Our manufacturing facilities are certified and accredited by globally recognised bodies in various areas of quality and international standards compliance. In the course of our persistent effort to achieve excellence in quality, environmental protection, and occupational health and safety, we have won numerous prominent awards as we consistently deliver quality products and satisfy our customers' needs. The latest award won by IOI Oleochemical is the very distinguished Prime Minister's Hibiscus Award for Excellent Achievement in Environmental Performance.

The "Hibiscus Award Challenge Trophy" (left) and "Penang State Award" won at the environmental-themed Prime Minister's Hibiscus Award (PMHA) 2014/2015 demonstrate excellence in quality and environmental performance.

SPECIALTY OILS AND FATS

The specialty oils and fats manufacturing business of the Group is carried out by IOI Loders Croklaan which is also a downstream refining manufacturer. A global market leader, it has manufacturing operations in the Netherlands, USA, Malaysia and Canada, and sales to more than 85 countries worldwide. It has one of the most developed specialty oils and fats technology bases in the industry, with a history dating back to 1890, when the Loder family started their business in London.

The specialty oils and fats business of IOI Loders Croklaan consists of supplying fractionated oils and blends, specifically formulated as ingredients required by the processed food industry, principally for applications in the bakery, confectionery, frying, margarine and infant nutrition sectors. The products are

Participating in international food ingredients exhibitions and tradeshows is a good platform to explore new markets, deliver new ideas and satisfy customers' needs.

mainly coating fats (Coberine®, Couva®, CLSP®), filling fats (Creamelt®, Biscuitine®, Prestine®, Freedom®), shortenings (SansTrans®), hard stocks (Crokvitol®), high stability oils (Durkex®) and human milk fat replacer (Betapol®).

Since IOI acquired the business in end-2002, IOI Loders Croklaan's capabilities have been transformed with a series of important strategic investments:

- **2004** – Rotterdam Phase 1 bulk oil refinery
- **2005** – Acquisition of Pasir Gudang facility to create IOI Loders Croklaan Asia
- **2005** – Conversion of Channahon plant to a palm oil processing plant and the start of trans fat free solutions for the US market
- **2008** – Rotterdam Phase 2 enzymatic interesterification facility for margarine and bakery applications
- **2010** – IOI Lipid Enzymtec facility in Pasir Gudang providing technologically advanced components for cocoa butter equivalents ("CBEs"), Betapol® and other applications
- **2011** – Channahon expansion, doubling its capacity to meet further growth in demand for trans fat free products in North America
- **2012** – Replacement of deodoriser at Wormerveer, expanding its capacity and improving reliability
- **2013** – Acquisition of (previously leased) land, buildings and equipment at Rexdale, Canada; and investment in replacement bleacher for additional reliability and capacity
- **2015** – Construction commences on new plant in Xiamen, the People's Republic of China
- **2016** – Acquisition of land in Tema, Ghana for the construction of a solvent fractionation plant

At Creative Studios, new partnerships on product development are forged to develop innovative solutions.

Sample of refined shea product is kept cool in a jerry can by IOI Loders Croklaan Europe's lab specialist to maintain product quality for application testing.

These investments in process capabilities, combined with the advantages of a vertically integrated palm oil supply chain, and the technical know-how embedded in IOI Loders Croklaan's culture provide us with competitive advantage. One which allows us to serve over 500 customers worldwide with a diverse product portfolio, provided through an effective and efficient supply chain.

IOI Loders Croklaan has also developed the Creative Studio concept over the last few years, opening branches in Wormerveer, the Netherlands (2010), Pasir Gudang, Malaysia (2011) and most recently in Channahon, USA (2013).

Through the Creative Studio concept, IOI Loders Croklaan establishes new partnerships on product development where our customers' food technologists can work collaboratively with our own lipid experts to create innovative solutions specifically for application to their own products.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont'd)

Group Business Review – Resource-Based Manufacturing

Thermal separation technique at IOI Loders Croklaan Asia is conducted in meticulous care to separate oil into fractions and remove impurities based on specific temperature and vacuum.

OPERATIONS REVIEW

The resource-based manufacturing segment reported a profit of RM606.4 million for FY2016 which is 44% higher than the reported profit of RM420.4 million in FY2015. The higher profit is due mainly to fair value gain on derivative financial instruments of RM120.9 million (FY2015 – loss of RM109.6 million).

Excluding the fair value gain/loss on derivative financial instruments, the underlying profit for the resource-based manufacturing segment of RM485.5 million for FY2016 is 8% lower than the underlying profit of RM530.0 million for FY2015. This is mainly due to lower margin derived from the oleochemical sub-segment.

The details of the segmental contribution are as follows:

The primary refining sub-segment's margins in Malaysia remained negative for most of the financial year. Exports of our Malaysian palm oil products into major destinations were impacted following Indonesia's introduction of new export levy in July 2015. The cooling down of the Chinese economy also affected our exportable volumes. In addition, the El Nino phenomenon further exacerbated the competitiveness of palm oil with record oilseed crops manifesting in main growing and exporting countries. However, our refineries continue to operate above the industry utilisation rate in their respective regions. Over in the Rotterdam refinery, despite a 5% decline in volume fully attributable to the RSPO certification suspension, an improved margin management (which has proven to be successful over the past few years) was seen to work out positively again for FY2016.

As for the oleochemical sub-segment, it started off the financial year on a positive note, recording stable profit on the support of low raw material prices despite the Indonesian export duty structure on palm-related products which impacted pricing of the final oleochemical products in most markets. On 1 January 2016, the significant rate hike on natural gas price undoubtedly increased the overall operating costs. Nevertheless, the full impact from the natural gas price hike was mitigated to some extent by our timely execution of energy saving projects, notably the co-generation of electricity and steam from natural gas which was fully commissioned in October 2015.

In the third quarter of the financial year, the surge of palm kernel raw material prices began to take its toll on our margins. Customers were buying mostly on spot basis in response to cautious spending and uncertainty in the major economies. The graduation of Malaysia from the Generalised System of Preferences ("GSP") status in Europe since 1 January 2014 continues to create immense competition to our fatty acid sales into the region. The generally bearish demand for glycerine and the ample supply from the biodiesel industries in Indonesia and South America have also suppressed the overall oleochemical margin.

Despite these challenges, the overall performance of the oleochemical sub-segment was reasonably encouraging in FY2016. This was made possible by prompt response to changing market conditions to ensure saleability of the products at a healthy margin on a full portfolio basis as we continue to expand our customer base, increase productivity and reduce costs through investment of capital expenditure in energy efficiency projects.

In FY2016, the specialty oils and fats sub-segment reported a higher profit as compared to FY2015 despite the RSPO certification suspension. The strongest growth was visible in the Americas region following the expansions in 2011 and 2012 which doubled capacity that was filled up by the team's success

IOI Loders Croklaan's expertise in developing ingredients free of partially hydrogenated oils as well as trans-free solutions, contributes to its collaborative successes with manufacturers and customers.

in embarking on the trans-fat free trend in the region. The impending ban of partly hydrogenated products was also a contributing factor. The Asia region showed a good increase of volume including the successful Betapol® product range for infant nutrition. The Europe region was on track for the first nine months, however an overall decline was seen as it was affected by the effects of the RSPO certification suspension in the last quarter of the financial year.

The effective working capital management and the strong operational performance resulted in an improved cash flow from operating activities which is partially used to finance our future business developments, for example in Canada.

OUTLOOK AND PROSPECTS

For the upcoming year, we expect a challenging external environment on the palm oil markets. Biodiesel mandates, import and export duty structures continue to affect demand patterns in both origination and destination. Weather uncertainties are also expected to weigh in on palm production as well as in competing oilseeds crop. The refining sub-segment in Malaysia should, however, see some respite from negative margins with current export duty on crude palm oil.

As for the oleochemical sub-segment, we expect the operating conditions to remain challenging due to the current high raw material prices notably palm kernel oil and the uncertain global economic condition. The latter outlook has altered the buying patterns of our customers to buying more promptly, thus creating challenges operationally. Besides that, the periodic changes of the utility rates which have been on an uptrend are expected to continue to increase our operating costs. Therefore, we intend to continuously invest in capital expenditure to improve efficiencies and cost savings. Overall, we believe that our relentless effort to strive for operational excellence, cost efficiency, enhanced productivity and growth of our oleochemical specialty business will enable us to sustain our profitability.

As for the specialty oils and fats sub-segment, with the recent lifting of suspension on our RSPO certification, the Group's priority is to work towards regaining the business in Europe and the United States that were lost during the suspension period.

We are confident that with our competitive advantage, we will be able to restore IOI Loders Croklaan's position in the market and continue further on our growth path as laid down in the "Vision 2025" programme, which outlines our aspirations to double the business within 10 years. Vision 2025 anticipates a number of strategic moves by margin optimisation initiatives through our Innovation and customer-centric approach, which are our recognised key strengths. This will be further developed through our new global segment-based market approach.

Furthermore, our strategic moves include a global footprint expansion, the first example of which is the construction of our new plant in Xiamen, the People's Republic of China, which is expected to be completed by end of 2016.

Vitavance™ is a new range of dedicated products for animal nutrition that is introduced by IOI Loders Croklaan to give assurance on the quality and origin of raw materials sourced.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Buffaloes are used to transport FFB instead of machines in order to reduce greenhouse gas emissions.

IOI Group has embraced the values of sustainability and corporate responsibility ("CR") since the early days and embedded them in the Core Values, policy statements and work practices across its global operations.

IOI Group commits to be a leading corporation in its core businesses, and a leader in integrating the highest sustainability standards into its business practices. Specifically, the Group is committed to the sustainability management of its oil palm plantations and to the implementation of responsible global palm oil supply chains.

SUSTAINABILITY GOVERNANCE

Sustainability is a fundamentally complex matter. There are no approaches that can be universally applied since corporations are faced with varied stakeholder demands, a continually changing set of priorities, as well as a multitude of alternatives to meet their sustainability challenges.

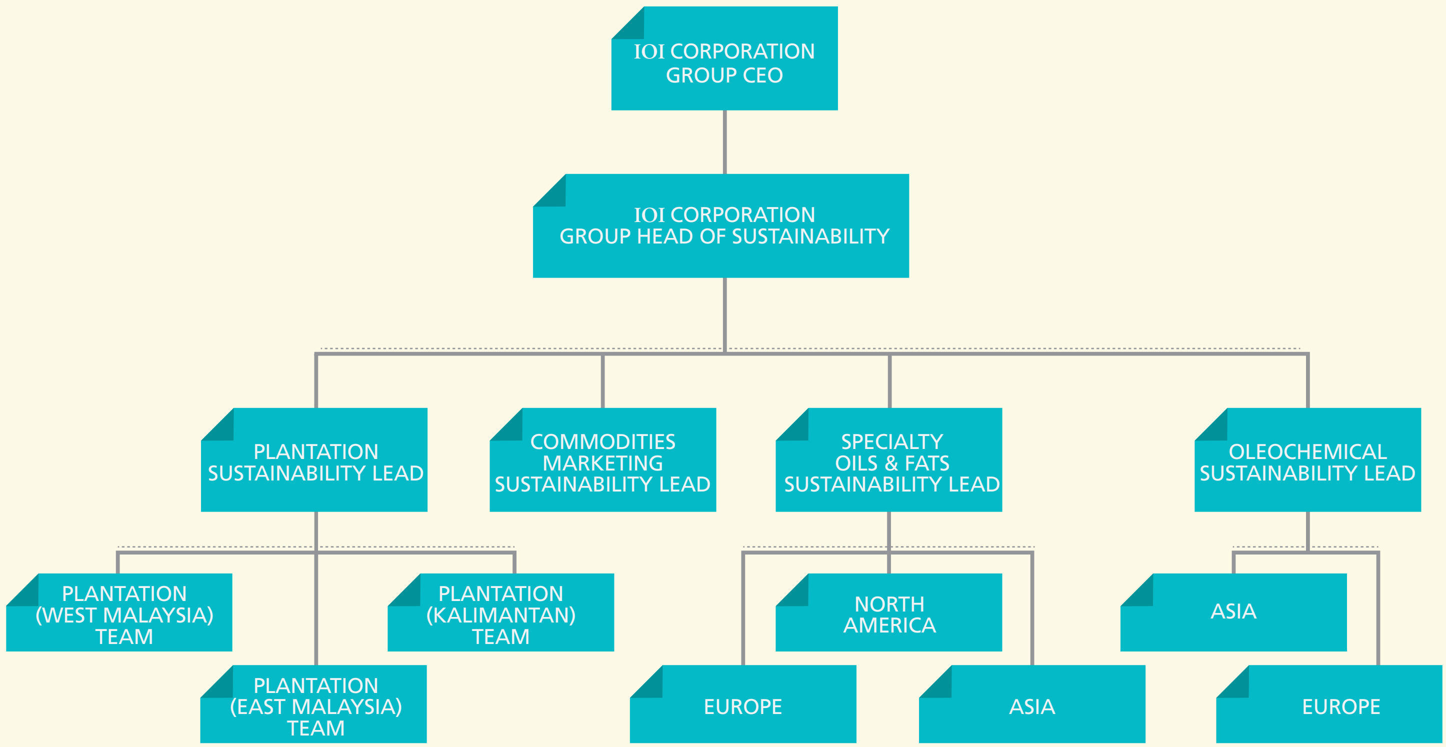
Here, at IOI, we believe that our core values of INTEGRITY, COMMITMENT, SPEED IN RESPONSE, INNOVATIVESS and EXCELLENCE IN EXECUTION reflect our seriousness in meeting our stakeholders' expectation towards the Principles of Sustainability, which are, People, Planet and Profit.

So in line with this greater commitment towards sustainability, IOI Group has set up a more formalised sustainability governance structure which comprises a Group Sustainability Steering Committee and a Group-led Sustainability Team.

The Sustainability Steering Committee which is led by the Group Chief Executive Officer ("CEO") comprises Heads of operating divisions, Group Head of Sustainability and Senior Management from group support functions. To ensure that we are effective, accountability for our governance sits right at the top of our firm, namely, the committee supports the Board in setting high-level direction and focuses to ensure the Group's sustainability strategy and performance are on track.

The Group has recently put in place a new Sustainability Team Structure and a Group Head of Sustainability appointed in March 2016 to ensure effective execution of the Group's sustainability implementation and reporting. The Group Head of Sustainability who reports directly to the Group CEO has an oversight on the Sustainability Leads from all operating divisions. This ensures that operations personnel will strictly adhere to the Group's sustainability policies, practices and commitments.

IOI Group Sustainability Team



SUSTAINABILITY AND CORPORATE RESPONSIBILITY (Cont'd)

REVISED GROUP SUSTAINABILITY PALM OIL POLICY AND SUSTAINABILITY IMPLEMENTATION PLAN

IOI first launched its Group Sustainability Policy Statement in 2014. To further strengthen and consolidate its sustainability commitments throughout the Group, IOI decided to revise its Group Sustainability Palm Oil Policy ("SPOP") which is aimed at enhancing its sustainability commitments and applying a uniform set of policies across all its operating units. The revised SPOP has been published on 5 August 2016 together with a Sustainability Implementation Plan ("SIP") with clear deliverables and timelines demonstrating the Group's commitment and accountability towards driving change. Both SPOP and SIP were crafted in close collaboration with customers and non-governmental organisations ("NGOs").

The key commitments in the SPOP are:

- Reaffirm the existing commitments to no deforestation, no planting on peat, zero burning on all new planting and replanting as well as driving socio-economic advancement of the communities.
- Introduces new commitments on peat land landscape management and protection, peat land rehabilitation, enhanced fire prevention measures, and the implementation of a more robust labour rights monitoring system.
- Build traceable supply chains so that all suppliers are also in compliance with the commitments stated in the policy on environmental management, human rights and workplace as well as community development and social impact.
- To strive for the highest levels of transparency and stakeholder engagement.

While the revised Group SPOP is a reflection of our deeper commitment towards sustainability, the SIP serves as a practical working document that puts into practice the aspiration and commitments stated in our IOI Group SPOP.

A number of areas where implementation is already underway:

1) On the mapping of peat lands in our four palm oil concessions in the Ketapang landscape, we have signed an agreement for the commencement of LiDAR mapping of peat land areas within and around our Ketapang concession.

2) We have finalised a peat land rehabilitation plan for areas of damaged peat land in our palm oil concession, PT BSS, in Ketapang. This is the first step in a larger programme of peat land rehabilitation being planned in other concessions.

Beneficial plants are part of IOI's integrated pest management to minimise use of pesticide.

3) We have undertaken High Carbon Stock ("HCS") assessment, utilising the latest High Carbon Stock Approach ("HCSA") converged methodology, by an approved HCSA practitioner which will contribute to the programme of field trials for HCSA.

4) We have developed enhanced fire prevention and mitigation programmes within (including conservation areas) and around our concession areas and signed a Memorandum of Understanding with *Balai Konservasi Sumber Daya Alam* as a partner to work on an action plan on fire prevention.

5) As a means to resolve complaints and conflicts effectively and responsibly through an open and transparent process that is agreed upon by the affected stakeholders, we have commenced the development of a Grievance Mechanism which will acknowledge existing concerns and allegations and outline clear actions and timelines to address past and future grievances.

6) We have been taking active responsibility for the sustainability of our third party suppliers since 2014, through our three-step process that comprises traceability, risk assessment and mill-level verification. We are now enhancing that programme with supplier workshops and greater scrutiny of suppliers at Group level.

PLANTATION

SUSTAINABLE AGRICULTURAL PRACTICES

IOI believes that the sustainability of the Group's business is interdependent with the sustainability aspects of the ecosystem surrounding its operations. For years, the Group has been following a number of principles and criteria that were later codified by the Roundtable on Sustainable Palm Oil ("RSPO") diligently and consistently.

The key sustainability focus is to safeguard the environment by increasing production without increasing land footprint. IOI is still widely recognised for having among the highest yields of oil per hectare in the industry as a result of good plantation management practices that include the development of high-yielding oil palm clones, precision agronomy and new planting practices.

The Group's best performing estate achieved an oil yield of 6.06 MT per hectare this year. The Group's oil yield of 4.81 MT per hectare is significantly higher than the industry average of 3.84 MT per hectare per year. To spur other estates into achieving high yields, the corporate target has been set at 6 MT per hectare per annum.

The high-yielding oil palm clones are developed through years of intensive and systematic research by its research and development arm, IOI Palm Biotech Sdn Bhd, which is the recipient of the Agriculture Biotech Excellence Award 2013.

Over the years, millions of high yielding clonal ramets had been produced by IOI Palm Biotech Centre's Tissue Culture Laboratory and field planted.

Substantial areas of more than 20,000 hectares of the Group's plantations planted with the high-yielding clonal palms have shown great increase in oil extraction rates ("OER") and oil yields from the fresh fruit bunches ("FFB") produced. Recent OER evaluation tests showed OER of more than 27% achieved in oil mill, with FFB crops harvested from pure stands of clonal planting from commercial fields planted between 2004 and 2009. The production of superior clonal ramets will continue, and more areas are expected to be replanted in the coming years with these high-yielding clonal palms to further boost the productivity of the estates.

Precision technology tools such as GPS, GIS, Unmanned Aerial Vehicle ("UAV") and satellite imagery are becoming widely used in IOI plantations to help design, map and manage estate fields as efficiently as possible.

The efficient use of land through high productivity reduces fertiliser and pesticide use, and improves energy efficiency that results in lower greenhouse gas ("GHG") emissions which in turn reduces the impact of climate change and delivers significant benefits to the environment.

Continuous research is conducted at the state-of-the-art Tissue Culture Laboratory for high-yielding clonal palms.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (Cont'd)

Terracing and planting of legume cover crops are some of the soil conservation measures.

New Planting and Replanting

When it comes to new planting and replanting, the Group practises zero-burning technique in all its plantations where old palm stands are felled, chipped and left to decompose at site. This technique is designed to mitigate GHG emissions commonly associated with land clearing and to return organic matter to the soil.

Independent Social and Environmental Impact Assessment(s) ("SEIA"), calculation of GHG emissions from land use change due to new developments, peat mappings as well as HCS and High Conservation Value ("HCV") assessments are also carried out ahead of any new plantings.

Legume cover crops ("LCC") are established in estates immediately after planting to suppress the growth of noxious weeds that can affect crop yield. IOI has fully phased out the use of paraquat by end of 2011 in an environmental and social move.

Integrated Pest Management

IOI has been practising Integrated Pest Management ("IPM") in all its estates for over 10 years. IPM is an environmental-friendly method to control pests, rodents and plant diseases without the need for pesticides and other chemicals. This method is highly beneficial to reduce GHG emissions and eliminate the release of pollutants into soil and waterways.

Beneficial plants such as *Cassia cobanensis* and *Euphorbia heterophylla* are planted to attract natural predators for the biological control of bagworms and other leaf-eating caterpillars which are major insect pests in oil palm plantations. Barn owls have been proven effective in controlling rat population in our estates as the rodent population has been reduced by over 50%.

Soil Conservation

The soil quality can be impacted by continual cultivation activities. Erosion, compaction and surface run-off are main factors affecting the soil's water-holding capacity and soil fertility. To reduce the impact of possible soil degradation, terracing is carried out in undulating or hilly areas to conserve soil, water and nutrients effectively.

LCC which are planted immediately after planting also can minimise soil erosion, conserve soil moisture and improve soil structure and soil fertility. In mature areas, fronds and empty fruit bunches ("EFB") are placed in inter-rows to allow for the slow release of organic nutrients through decomposition while conserving soil moisture, minimising soil erosion and degradation, and improving soil structure.

To further enhance its soil conservation measures, the Group does not cultivate oil palms on fragile soils (peat), riverine riparian reserves, excessively steep hill slopes, and HCS or HCV areas.

SUSTAINABLE PALM OIL MANIFESTO

As one of the signatories of the Sustainable Palm Oil Manifesto ("SPOM"), IOI recognises the importance in safeguarding our environment; as such, we maintain "no deforestation and the protection of peat areas" in new developments. Our funding of the HCS Science Study towards improving the identification methodology of these HCS clearly reflects our commitment.

The HCS Study is now working towards a convergence with the HCS Approach with the objective to provide the industry with uniform clear rules towards enhancing the production of Sustainable Palm Oil.

WATER MANAGEMENT

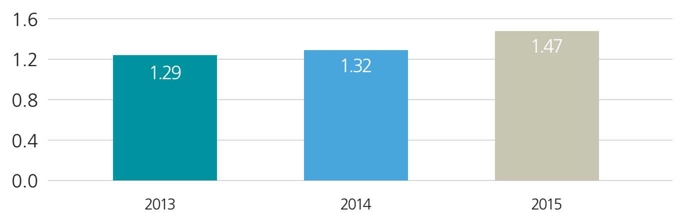
Water is the essence for life which covers over 70% of the earth's surface. It is a key element in our entire palm oil supply chain from oil palm plantation to resource-based manufacturing. Good quality water is vital for the health and wellbeing of our people and the local communities in which we operate. Hence, it is our top priority to minimise the risk of water contamination by our palm oil production to ensure a clean and healthy environment for all.

Use of good quality water in oil palm cultivation encourages healthy growth of high-yielding palm trees. Efficient water management ensures a steady supply of good water and helps avoid aeration and moisture-stress to the palm trees during the dry or rainy season.

To safeguard this precious resource, IOI has enforced these measures and practices:

- Installing water-gate at strategic locations along main drains and collection drains to keep the water level optimum.
- Maintaining optimum level of water to counter potential shortfall in rain and risk of fire.
- Maintaining riparian reserves to minimise soil run-off. Riparian reserves also serve as a filtration system to preserve the quality of water entering the waterways.
- Planting LCC as a soil conservation measure to prevent run-off into the waterways and avoid any planting on steep terrain.
- Monitoring and treating all palm oil mill effluent ("POME") and wastewater before discharging into the natural waterways. The treated POME will be used for land application.

For the past three years, IOI's palm oil mills consume an average of 1.36 M^3 water to process each MT of FFB. We are targeting to reduce our water usage by 5% for the year 2016.



Water Consumption for the Processing of FFB (M^3 water/MT FFB)

IOI has proper water catchment system to ensure sustainable oil palm cultivation.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (Cont'd)

Commission of the two biogas plants in Pukin Palm Oil Mill, Johor (top) and Ladang Sabah Palm Oil Mill, Sandakan (bottom) to capture and mitigate GHG emissions.

GREENHOUSE GAS REDUCTION

Climate change is one of the biggest threats to the planet and IOI is committed to monitor and reduce the potential contributions to the GHG emissions.

The Group has adopted both the International Sustainability and Carbon Certification ("ISCC") and RSPO PalmGHG methodologies to proactively monitor our GHG emissions and take practical steps to reduce GHG emissions in our palm oil production to lessen the impact on climate change.

Sustainable Cultivation and Processing

Our oil yield per hectare is approximately 50% higher than the nation's average which has a positive impact towards mitigating climate change as less land is required in the production of palm oil. Best agronomic practices and efficient land utilisation led to higher productivity, hence reducing usage of chemical fertiliser and pesticide, and improving energy efficiency that results in lower GHG emissions.

Green Energy and Waste Management

IOI's plantation operations produce a vast amount of biomass by-products. Palm biomass such as pruned fronds, old palm trunks and treated POME are recycled back to the soil as natural fertilisers. Other forms of biomass such as shells and EFB are used as renewable energy source to generate steam and electricity for mill processing. This green energy is able to sustain 98% of our mills' energy needs.

Raw POME is highly acidic and has a high biological oxygen demand ("BOD") level, hence POME, which is a by-product of our mill activities, is treated at the mills to bring its BOD level within the permissible level for land application. The Group has adopted the application of greentubes to remove solids in POME, thus reducing its BOD level. The BOD level of our POME is within the acceptable limit as required by the Department of Environment. The lowest BOD level recorded is 23 PPM in 2015.

In addition, IOI has a 10 MW biomass co-generation power plant at its refinery complex in Sandakan, Sabah that uses kernel shells and EFB from its own mills to satisfy almost all the steam and electricity requirements of the complex.

Methane Capture Facilities

In our effort to reduce climate changes, IOI has successfully commissioned two biogas plants in Pukin Palm Oil Mill, Johor and Ladang Sabah Palm Oil Mill, Sandakan to capture methane gas and mitigate GHG emissions from POME. Methane emission from the treatment of POME is a large contributor to the Group's total operational emissions. The two biogas plants are expected to contribute an estimated GHG reduction of 120,000 MT of CO_2 per year. By 2018, we expect to commission two more biogas plants in Syarimo Mill and Leepang Mill for a further reduction of 140,000 MT of CO_2 per year.

Continuous Improvements

IOI's operations and quality assurance teams are in constant collaboration with external researchers and consultants to explore alternative and innovative means to reduce GHG emissions. The Group has been using greentubes, which is a form of geosynthetic fiber, to reduce the BOD content from POME. By end of 2016, IOI targets to complete a study to demonstrate positive results of these greentubes in methane avoidance.

HEALTH AND SAFETY

Employee welfare, especially the health and safety of our employees, remains as IOI's top priority. The Group strives to provide safe and healthy working conditions especially in non-office-based environments such as field operations, processing and manufacturing. IOI places substantial investments in occupational safety and health management systems that meet world-class accreditation levels such as OHSAS 18001 standards.

Continuous training and awareness programmes such as fire training and hazard guidance are conducted for those dealing with potential hazards such as pesticides and machinery.

At the plantation operations, IOI also initiates free medical treatment at clinics with X-ray and ambulance facilities for IOI's estate workers and neighbouring communities.

To maintain cleanliness and hygiene, a Visiting Medical Officer visits the labour quarters twice a month whilst frequent health programmes and campaigns on pap smear, breast cancer and other healthcare issues are organised for the workers and local communities.

To complement the Group's Occupational Safety and Health Policy and further enhance the level of safety and health at our operating centres, the management and employees are committed to work towards achieving the following activities:

- Reduce accidents, occupational diseases and occupational poisonings by at least 10% as compared to previous year.

Clinics and medical care facilities are set up in all estates to ensure welfare of the workers and their family is taken care of.

- Ensure an average of five hours is allocated for each employee (based on total number of hours worked) to undergo Occupational Safety and Health-related trainings in a year.
- Investigate and find causes of all accidents, near misses, dangerous occurrences, occupational diseases and occupational poisoning, and take appropriate measures to prevent the recurrence of such incidents.
- Ensure that every worker who is assigned to a new task or machine is provided with Safe Operating Procedures and on-the-job training before being allowed to commence work.

BIODIVERSITY CONSERVATION

IOI recognises the importance of biodiversity conservation and strictly adheres to all relevant laws, RSPO and ISCC certification principles and criteria to protect, conserve and rehabilitate the environment by adopting beneficial practices and incorporating the protection of HCV, HCS and peat areas in new developments.

We are managing and monitoring a total of 1,128 hectares and 2,345 hectares of HCV areas within our concessions in Peninsula Malaysia and Sabah respectively, which contributes towards safeguarding and enhancing important biodiversity areas.

We strive to conserve and rehabilitate biodiversity and ecology within and in the vicinity of our estates with these following practices:

- Planting legume cover crops as a soil conservation measure to prevent run-off into waterways and avoiding any planting on steep terrains.
- Conserving natural trees, flora and fauna species in buffer zones and steep areas unsuitable for oil palm planting.
- Conserving water channels, streams, ponds, and undisturbed natural riparian reserve in tandem with the overall flood mitigation plan.
- Linking riparian and other reserve areas within the estates and surrounding neighbourhoods to develop wildlife corridors.
- Preserving the existing natural landscape and its flora and fauna surroundings while offering agro-tourism in some of our finest estates.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (Cont'd)

Maintaining riparian reserves within IOI's estates and the surrounding areas for biodiversity and wildlife conservation.

Specific biodiversity and wildlife conservation initiatives undertaken include:

- Establishing a deer farm at Meliau Estate.
- Establishing a sanctuary for proboscis monkeys at Bayok Estate.
- Conducting biodiversity study of flora and fauna species in our plantations (so far, 337 flora and 227 fauna endemic species have been found).
- Becoming a strategic partner in Malua Wildlife Conservation Initiative.
- Contributing to the Orangutan Foundation International's ("OFI") Care Centre and Quarantine facility in Pangkalan Bun, Kalimantan.
- Contributing to the Malaysian Palm Oil Wildlife Conservation Fund (MPOWCF). In May 2016, a historic engagement was sealed between IOI Sandakan Region and Sabah Forestry Department to enhance forest management and conservation efforts. The collaboration paved the way for co-operative efforts and assistance to be forged while talks on future ties are underway.

CERTIFICATION IN SUSTAINABILITY

RSPO Certification

As a founding member of the RSPO, IOI has played an active role in promoting sustainable practices since its inception in 2004. The Group has achieved full certification for its existing plantations and mills in Peninsula Malaysia and Sabah since 2013.

Moving forward, the Group is committed on the following:

- Implement RSPO Next in its Malaysian plantations, commencing end of 2016.
- Certify the newly acquired Unico-Desa Plantation Bhd ("Unico-Desa") in 2018.
- Certify the outstanding management units, in Sarawak and Indonesia, in accordance with the published time-bound plan.

To ensure transparency and traceability of our supply chain, IOI's operating units and supply chain units in Malaysia and overseas have all successfully obtained the RSPO Supply Chain Certification.

integrity & commitment

ISCC Certification

In addition to the RSPO certification, the Group is also diligently implementing the ISCC, which is the first international certification system that can be used to prove sustainability and GHG savings for biomass and bioenergy. It is recognised by the European Commission for all member countries, specifically Germany and the Netherlands.

To date, 100% of the Group's plantations and mills in Peninsula Malaysia and Sabah (except Unico-Desa) have been awarded the ISCC certification. The achievement signifies that IOI's products comply with the strict sustainability criteria for the use of biomass in renewable energy application set by the European Commission. The Group targets to certify its two mills from Unico-Desa by 2018.

CHALLENGES

On 4 April 2016, the RSPO certification on the entire IOI Group was suspended following a complaint lodged by NGO Aidenvironment in April 2015 against IOI's subsidiary company in Ketapang, Indonesia.

The suspension has caused significant disruptions to IOI's downstream operations as well as the food manufacturing sector in Europe and the United States. The suspension and ensuing allegations by some other NGOs have led IOI to pursue corrective actions to review and enhance its sustainability practices. The Group has also launched a stakeholder outreach programme to re-engage and re-build trust with RSPO, NGOs and key customers. As part of its stakeholder outreach initiatives, IOI has initiated meetings with the NGOs which have raised allegations against us and met with the sustainability personnel of multinational customers.

The Group is also working with leading sustainability consultants and specialists in peat and HCV to resolve the issues proactively. IOI has engaged Global Environment Centre ("GEC"), a specialist firm in peat, HCV and various conservation matters, on peat restoration and protection measures at the affected areas. The Group has also appointed Proforest as an implementation partner for its last new planting development in Kalimantan.

IOI has committed to voluntarily adopt the more stringent RSPO Next certification system starting from end of 2016. RSPO Next certification includes additional criteria on no deforestation, no planting on peat, reduction of greenhouse gas and respect for human rights and transparency.

On 30 May 2016, IOI has submitted to RSPO a progress report containing the completed action plan together with the Statement on Group Sustainable Resource Allocations and Policy Initiatives which was endorsed by IOI's board of directors. It has also completed and submitted the peer review assessment of the three HCV reports on PT SKS, PT BNS and PT BSS.

Lifting of the Suspension

On 5 August 2016, the RSPO has endorsed the recommendation made by the Complaint Panel ("CP") to lift the suspension of the RSPO certification for the entire IOI Group as it has met all the conditions required by RSPO CP. The lifting of the suspension was effective from 8 August 2016.

From 6 September to 11 September, RSPO is scheduled to conduct an independent ground verification exercise by a team of independent experts on the action plan that IOI had submitted to the RSPO.

In the meantime, IOI will continue to submit its quarterly progress report as mandated by the CP. At the end of a 12-month period, the CP shall again commission independent ground verification, following which a review of the complaint will be undertaken by the CP.

IOI – Pelita and the Longhouse Communities of Long Teran Kanan in Sarawak

IOI Group is committed to an open and transparent approach to resolving outstanding grievances with the involvement of affected stakeholders, which includes the conduct of the mediation process with the affected longhouse communities (Long Teran Kanan) in Sarawak, to the satisfaction of all parties. This is despite the Malaysian Appeal Court ruling which held that the Kayan and Kenyah communities had no native customary rights ("NCR") over two Provisional Leases issued to IOI Pelita Plantation Sdn Bhd for the development of an oil palm plantation.

To this end, IOI have been conducting meetings regularly with the affected communities in the presence of the Residen of Miri as well as RSPO representative as observer, to discuss land/land use offers to settle this dispute. In the interests of greater transparency, we will be providing progress updates on the discussions regularly under our new Grievance Mechanism.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (Cont'd)

RESOURCE-BASED MANUFACTURING

TRACEABILITY AND TRANSPARENT SUPPLY CHAIN

At IOI, we take responsibility in building a traceable, transparent and sustainable palm oil supply chain. We contribute to the advancement of a sustainable palm oil industry as a whole through our role in several industry networks and initiatives.

We realise that traceability does not equal sustainability, but knowing the origin of the oil sourced allows us to monitor and engage with our suppliers and transform our supply base into a sustainable supply base that adheres to the same values as listed in the IOI Group Sustainable Palm Oil Policy ("SPOP").

Traceability is step 1 in our 3-step approach towards a traceable, transparent and sustainable palm and palm kernel supply chain.

3-Step Approach:

Step 1: Know the origin of the oil

Step 2: Prioritise the mills

Step 3: Execution of on-site verification programme

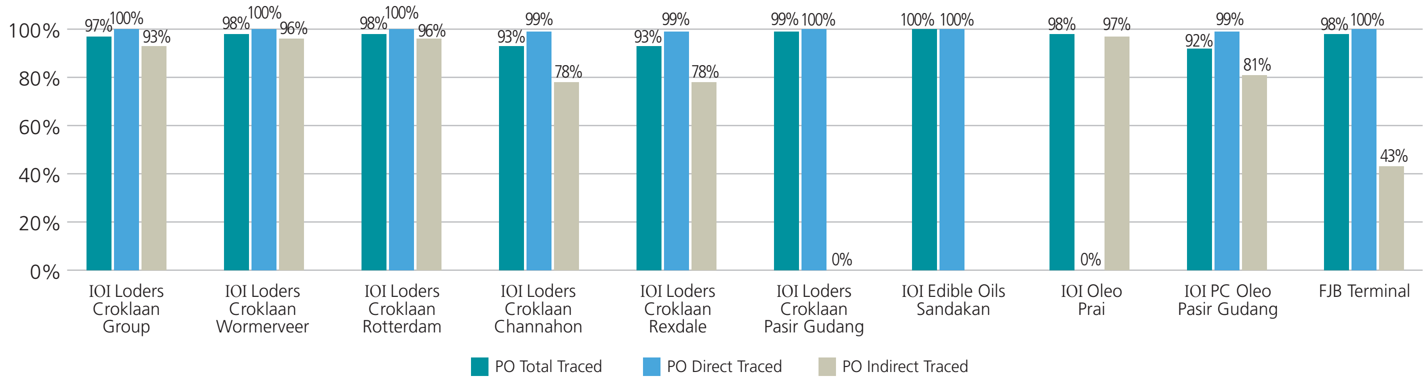
The protocols linked to the 3-step-approach are currently part of the IOI Group management procedures.

Origin of the Oil

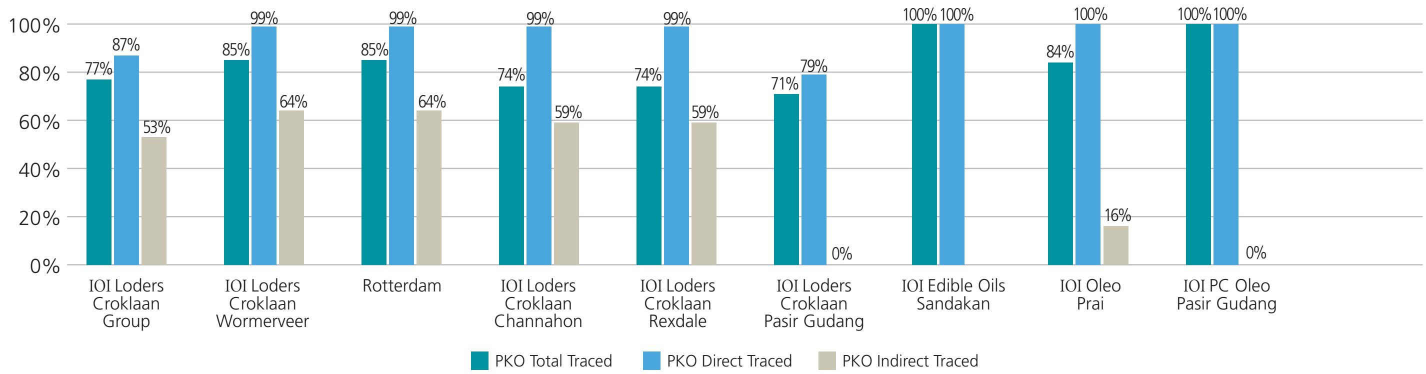
IOI Group started mapping its entire palm oil supply chain for IOI Loders Croklaan Group and IOI Oleochemicals Group back in 2012 and 2014 respectively. IOI will report the traceability numbers for the following IOI refineries and terminals:

- IOI Loders Croklaan Wormerveer refinery (The Netherlands)
- IOI Loders Croklaan Rotterdam refinery (The Netherlands)
- IOI Loders Croklaan Channahon refinery (USA)
- IOI Loders Croklaan Rexdale refinery (Canada)
- IOI Loders Croklaan Pasir Gudang refinery (Malaysia)
- IOI Edible Oils Sandakan refinery (Malaysia)
- IOI FJB terminal Pasir Gudang (Malaysia)
- IOI Oleochemicals Prai plant (Malaysia)
- IOI Pan-Century Oleochemicals Pasir Gudang plant (Malaysia)

Traceability to mill for PO stream per IOI location FY15/16



Traceability to mill for PKO stream per IOI location FY15/16



IOI has made a distinction between direct sourced material and indirect sourced material.

Direct sourcing:

- IOI mills and third party mills sourced via IOI Group (directly sourced from CPO mill)

Indirect sourcing:

- Third party mills sourced via third party suppliers (other shippers, processors/refiners & traders)

Sourced volumes will qualify as traced volumes if following information is available:

1. Mill name
2. GPS coordinates of the mill
3. Name parent company of the mill

Risk Assessment

Risk assessment of the IOI supply base is step 2 in our 3-step-approach. In 2014, an external party completed a risk assessment on the IOI Loders Croklaan supplying mills. Spatial parameters (legally protected areas key biodiversity areas, peat, global forest change and forest loss: FORMA alerts) and non-spatial parameters (Policy, RSPO certification, publically reported information including social aspects) were reviewed resulting in 30 plus high priority mills. IOI will run a risk assessment every two years. Another risk assessment is scheduled to take place second half 2016. On a weekly basis, an internal mill alerts system monitors all supplying mills and its parents for potential issues.

Mill Verification and Monitoring

On-site mill verification of high priority mills is step 3 of our 3-step-approach. Together with Proforest, we have developed a checklist for the on-site mill verification. IOI and Proforest have completed verifications of 15 high priority mills from which we directly source palm oil and palm kernel products. Once the mill verification is completed, the verification team will discuss the results with the supplying mill. When the verification has identified gaps between the SPOP and the current practices at level of the supplying mill, both parties agree on a time-bound-action-plan. The mill verification team will monitor implementation of the agreed actions.

As for IOI Oleochemicals Group, IOI Oleochemicals ("IOI Oleo") co-operated with IOI Edible Oils to trace the source of oils supplied to its two manufacturing sites in Prai and Johor. The overall traceability to mills for the palm-based and palm kernel-based oils were good at typically above 90% and 85% respectively. The lower traceability for palm kernel-based oils is expected due to the complexity of the supply chain in which many independent crushers accumulated palm kernel seeds from various mills for processing. IOI is engaging and working with its suppliers particularly palm kernel crushers to improve traceability scoring and is confident that this can be achieved in the coming months.

Traceability of source oils to plantation remains a challenge for oleochemicals. This is because of the very low uptake of RSPO-Segregated ("SG") products as compared to the other options namely the Mass Balance ("MB") and Book and Claim grades. The nature of fractions used in oleochemicals and complexity of downstream derivatives cause prohibitive costs and low availability of SG raw materials and intermediates. IOI Oleo will work with IOI Group to conduct risk analysis supply base of the supplying mills where high priority mills will be selected for further assessment through audits.

The traceability targets set by IOI Group SPOP are available in the Sustainable Implementation Plan:

Palm Oil:

- 100% to mill level by end 2016
- 100% to plantation level by end 2020

Palm Kernel Oil:

- 100% to crusher level by end 2016
- 100% to mill level by end 2018
- 100% to plantation level by end 2020

By working closely with its suppliers and key stakeholders to enhance traceability awareness and comply with its SPOP, IOI is well-positioned to meet its sustainability goals and tap into the growing market demand for CSPO.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY (Cont'd)

GREEN ENERGY AND ENERGY EFFICIENCY

Solar Power Generation

IOI Oleo fully subscribes to employment of green energy which includes use of natural resources for sustainable energy for example through the installation of solar panels to harvest solar energy. Since the commissioning of the project in 2013, it has been generating more than 750,000 KWh of electricity annually that transpire to savings of 450 MT of CO_2 or equivalent to planting 40,000 trees (or equivalent of 1.4 million square meters of forest) to absorb the amount of CO_2 saved by the IOI Oleo's solar panel system. The solar power generation project is part of the national sustainable energy development effort and the electricity generated is fed into the national power grid.

Co-generation of Heat and Power Plant

The 6.5 MW co-generation plant located in Prai was successfully commissioned in September 2015. The co-generation plant can generate electricity through its gas turbine system. In addition, the waste heat in the flue gas from the turbine can be further used to generate medium pressure steam through a Heat Recovery Steam Generator ("HRGS"). With that the total energy efficiency can be boosted to above 90% as opposed to 39% efficiency of conventional power supply systems. In addition, this combined heat and power generation system significantly reduces GHG (NOx, SOx and CO_2) emissions. The plant is expected to generate 6.5 MW electricity per hour which translates to approximately 40,000 MT of CO_2 savings.

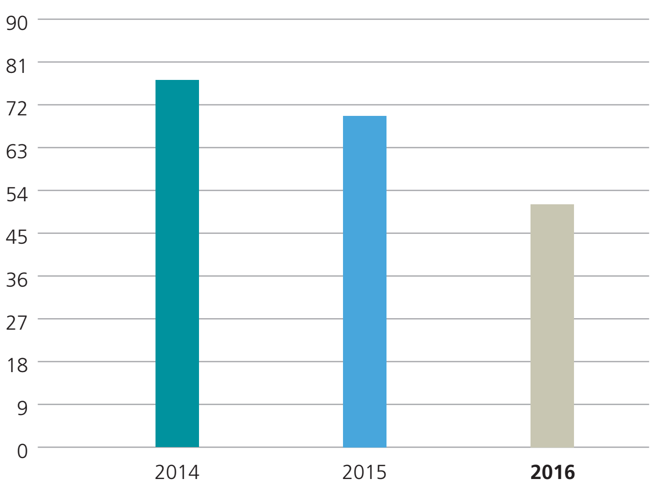
The remarkable proven efficiency of this plant in the Prai manufacturing site has spurred the management to consider a similar co-generation plant to be built in its manufacturing site in Johor.

Vapour Absorption Chillers

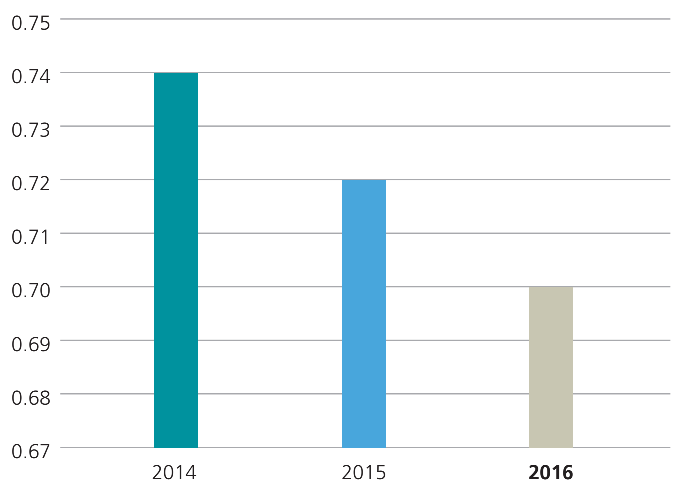
The quest to improve efficiency across IOI Oleo's manufacturing sites further led to the initiation of the Vapour Absorption Chiller ("VAC") project in Prai. The use of VACs started in IOI Oleo's manufacturing site in Johor where old conventional chillers were replaced with newer low energy, high efficiency VACs which meant that a 120 KW unit can replace a 360 KW conventional chiller. This technology is also eco-friendly in that it does not use Chloro-fluoro-carbon ("CFC")-based refrigerant that contributes to Volatile Organic Compound ("VOC")-based air pollutant, is powered by waste heat from refinery and reduces noise pollution drastically. CO_2 emission reduction from using VAC instead of common chiller is estimated at 1.2 MT/annum.

In its manufacturing plant in Prai, waste heat generated from the flue gas of the thermal heaters is used to heat hot water which is then channelled to the VAC to generate chilled water. The reduction in electricity usage compared to conventional electric is estimated at 1,700,000 KWh per annum or almost 1,000 MT CO_2 per annum.

CO_2 (kg)/Throughput (MT)



Water Consumption (MT)/Throughput (M^3)



4R – Refuse, Reduce, Reuse and Recycle

IOI Oleo launched a 4R ("Refuse, Reduce, Reuse and Recycle") campaign at its manufacturing plants, to minimise environmental footprint and improve its surroundings. The campaign covers industrial as well as day-to-day chores such as employment of eco-friendly chemical-free manufacturing technologies as opposed to employment of chemicals, reusing spent nickel catalyst, packaging materials and wastewater for non-critical cleaning activities. IOI Oleo is also working with vendors to extend use of its waste material for example spent bleaching earth and carbon for the cement industry, conversion of hardcopy document to softcopy archiving and general recycling of waste paper, plastics, metals and e-waste.

Minimising Use of Resources

The extraction and consumption of natural resources disrupts the environment and creates pollution. Reducing the use of natural resources such as fossil fuels will protect human and environmental health. The various projects undertaken by IOI Oleo throughout the years and its efforts to sustain and continual improvement initiatives result in gradual improvements leading to lower use of natural resources in our operation.

IOI Oleo's various green projects such as the solar panel and co-generation plant has reduced the CO_2 emission significantly from 77.2 kg CO_2/MT throughput to only 51.12 kg CO_2/MT throughput whereas its 4R campaign and prudent controls has reduced its water consumption to 0.70 M^3 water/MT throughput from previously 0.74.

MARKETPLACE

Supporting RSPO-certified Oleochemicals

IOI Oleo continues to support the development of sustainable products namely the RSPO-certified oleochemicals and derivatives. In 2016, IOI Oleo being the chairman of the ASEAN Oleochemical Manufacturer's Group's ("AOMG") RSPO Technical Working Group has been nominated as a Steering Committee member of the RSPO Oleochemicals and Derivatives Subgroup.

The Steering Committee focuses on the review of the RSPO rules for Physical Transition oleochemicals and derivatives namely the IP, SG and MB models and has presented the first draft review to RSPO's Trade and Traceability Standing Committee ("T&T SC") for deliberation in the EU Roundtable ("RT") in Milan June 2016. The review is in preparation for submission to RSPO's Board of Governors for approval possibly in RSPO RT14 in Bangkok in November 2016.

Our work through the Steering Committee extends further towards the education and clarification of RSPO rules as it applies to oleochemicals and its derivatives. The committee has in plan a list of FAQs to further guide users of the RSPO oleochemical rules with examples and illustrations for easy understanding. AOMG has also been asked to participate actively in planning for briefing and training sessions that may be required with the revision of the new rules and FAQs.

The company continues to offer SG and MB-certified oleochemicals and has seen almost a quadruple growth in RSPO-certified product sales which is a result of persistent promotion and support for these sustainable products. The swift obtainment of RSPO SCCS certification for our new ester manufacturing site is testament of our support for sustainable products and our eagerness to make available these products to our customers.

Life Cycle Assessment

IOI Oleo continues to work with the Malaysian Palm Oil Board's Advance Oloechemical Technical Division ("AOTD") through the Malaysian Oleochemical Manufacturer's Group ("MOMG") in developing the first ever life cycle assessment on palm-based oleochemicals and its derivatives. Verification of data submitted for basic oleochemicals is completed and AOTD will proceed with processing the data to generate the Malaysian industry's average. In order to fulfil the requirements according to ISO 14044 of comparative assertions disclosed to the public, a critical review of an independent external expert or expert panel is necessary if the study is intended to be published.

excellence
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SUSTAINABILITY AND CORPORATE RESPONSIBILITY (Cont'd)

COMMUNITY

Human Capital Development

IOI believes that education is an integral component in empowering and enlightening the young to become leaders of tomorrow. The Group's community outreach programmes which centre on education, human capital development and corporate philanthropic initiatives are mainly undertaken by its charity arm, the Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC").

To date, Yayasan TSLSC has contributed over RM36 million to various schools, hospitals, welfare homes and charitable bodies, and has given scholarships and grants to hundreds of schools and students.

a) Scholarship Awards

Scholarships and career opportunities are awarded to academically outstanding students pursuing full-time undergraduate studies relating to the Group's business nature. Yayasan TSLSC deems it a great investment to support qualified Malaysian youths and to help build the nation's human capital through the scholarships. To date, Yayasan TSLSC has granted 247 students with more than RM5.6 million worth of scholarships.

b) Student Adoption Programme

The Student Adoption Programme ("SAP") was launched in 2008 by the then Deputy Minister of Education YB Dr Wee Ka Siong to provide underprivileged children with equal access to a good basic education as a platform for a brighter future. The adopted students will receive financial assistance and school bags from Yayasan TSLSC until he or she completes primary or secondary education. Since its inception, the SAP has benefited more than 1000 students from over 200 schools in Peninsula Malaysia and Sabah. To date, the total sponsorship amounts to more than RM3 million.

c) School Adoption Programme

The School Adoption Programme was launched in 2007 to create a conducive learning environment for students from deprived schools in rural areas. Financial assistance is given to these adopted schools to upgrade their facilities such as building new classrooms, new halls, libraries, perimeter fences, IT and sports facilities in order to improve the learning environment. To date, six primary and secondary schools in or near the Group's oil palm estates in Sabah have been adopted. From time to time, financial assistance is also extended to improve and upgrade their school buildings.

d) Young Achievers' Awards

The Young Achievers' Awards ("YAA") was introduced by Yayasan TSLSC in 1999 to invigorate and motivate young students to strive for excellence in their studies. Cash awards, plaques and certificates of achievement are given out annually to reward bright students from primary to upper secondary levels who excel academically, possess high leadership qualities and are active in their

Humana Learning Centres provide basic education and care for children of foreign workers who are unable to enrol into national schools.

Under SAP, visits are conducted to find out the need and progress of the adopted students.

extra-curricular activities. More than RM535,000 worth of cash prizes have been given to over 1,400 young achievers since its inception.

e) Partnership with HUMANA

IOI partners with the Borneo Child Aid Society, Sabah ("HUMANA") to provide basic education and care for children of foreign plantation workers who are unable to enrol into national schools in Malaysia.

IOI's contribution has amounted to over RM1.5 million and to date, IOI has built 22 HUMANA learning centres in Sabah that benefit about 2,200 children annually. Besides bearing the operating cost of these centres and providing accommodation for the teachers, IOI also sponsors computers, projectors, sound system, school bags, socks and stationery items to the learning centres and their students.

Malaysian Collective Impact Initiatives

In August 2015, IOI joined the Malaysian Collective Impact Initiatives ("MCII") along with several other private companies, non-profit organisations and government agencies to collectively drive positive change in the community at large. MCII was established with the objective of improving education in Malaysia in line with the objective of IOI, and encouraging cross-sector collaboration, community engagement and youth upskilling which contribute towards successful employment after school. School retention and youth unemployment in Klang have been identified as the two main focus areas of MCII. Two schools in Klang – SMK Pandamaran Jaya and SMK Tengku Idris Shah – have been identified as the pilot sites for the project. IOI looks forward to playing a meaningful social transformative role in MCII as it moves to make collective impact where it matters.

Bargain Basement

Bargain Basement is another charity initiative by Yayasan TSLSC. Armed with a "Give to Inspire Others to Give" motto, the charitable store started its operation on 1 June 2016 with an objective to encourage public to donate pre-loved or unused items to help the community. The net proceeds from items sold are channelled to different charities.

Community Outreach

Besides education and social investment programmes, the Group also encourages and provides ample opportunities for employees to volunteer their time and actively participate in various CR activities organised under Yayasan TSLSC. Some of the activities include bringing cheer to residents at old folks' homes and organising outdoor teambuilding sessions for children from orphanages. The Group's numerous CR efforts are highlighted in the "Corporate Responsibility" section.

CONCLUSION

IOI integrates sustainability and social well-being into every aspect of its operations and work culture. The Group's sustainability and CR initiatives reflect its commitment to uphold its Vision IOI and Core Values. As IOI expands its wings, the Group will continue to strive to broaden and deepen its sustainability and CR efforts.

CORPORATE RESPONSIBILITY

Social Contributions

2015

1 AUG

IOI Oleochemical Industries Berhad ("IOI Oleo") organised a course on answering techniques for UPSR for 50 students of Sekolah Tamil Prai. It also presented bags and certificates to ex-students who excelled in their UPSR, while the school received 100 books which were donated by employees of IOI Oleo.

IOI Oleo raised RM3,000 in cash and daily provisions for Persatuan Kebajikan Kanak-Kanak Cacat Yee Ran Jing Sheh.

5 AUG

27 AUG

IOI Pan-Century Oleochemicals Sdn Bhd ("IOI Pan-Cen Oleo") collaborated with Pasir Gudang Emergency Mutual Aid to organise a "Community Awareness & Emergency Response Dialogue" with neighbouring companies for mutual safety and emergency aid.

20 AUG

IOI Corporation Berhad ("IOIC") and IOI Properties Group Berhad ("IOIPG") participated in the "Bursa Bull Charge 2015" and contributed RM26,600 to support Bursa Malaysia's aim to foster a sustainable and inclusive marketplace.

IOI Oleo sponsored 35 employees to join the annual "Penang Starwalk 2015".

13 SEP

16 SEP

IOI Loders Croklaan Americas ("IOILC Americas") hosted an "Ice Cream Social and Dunk Tank Fundraiser" which raised US$515 for victims of a tornado in Coal City, Illinois. It then matched the raised amount for the Community Foundation of Grundy County.

2 NOV

IOILC Americas spearheaded "Linus Day" to make 47 warm and cosy fleece blankets for children and families staying at The Ronald McDonald House of Chicago.

Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC") awarded RM850,000 to 18 scholarship recipients in recognition of their excellent academic and extra-curricular achievements.

31 OCT

8 NOV

Yayasan TSLSC contributed RM50,000 to the building fund of SJK (C) Pei Cheng in Johor.

16 NOV

IOI Loders Croklaan ("IOILC") initiated a Global Safety Summit Team comprising safety and operational professionals from each IOILC region to conduct audits at its plants in order to improve safety performance and best practices.

5 DEC

IOI Oleo organised a mud ball-making event where 50 employees and their family members gathered to make 2,000 mud balls to purify the water system, improve water quality and manage pollution.

CORPORATE RESPONSIBILITY (Cont'd)

Social Contributions

2016

16 FEB

To support social enterprises, Yayasan TSLSC pledged RM80,000 to purchase tote bags and socks from Persatuan Daybreak, a home cum social enterprise in Perak, where the disabled are provided vocational skills training to make handicrafts for sale.

23 FEB

Yayasan TSLSC awarded RM360,000 to 403 needy students from 29 primary and secondary schools in Peninsular Malaysia and Sabah under its Student Adoption Programme 2016.

19 MAR

60+ EARTH HOUR

March was designated as IOI Group's Earth Month whereby green activities and awareness campaigns were held throughout the Group. On 19 March 2016, all of IOI's business units and premises commemorated Earth Hour by switching off non-essential lights from 8:30 pm to 9:30 pm.

22 MAR

IOI Loders Croklaan Europe continued to support the battle against multiple sclerosis and successfully raised €2844 for the "Move for MS" foundation.

29 MAR

IOIC and IOIPG participated in "The Edge Kuala Lumpur Rat Race® 2016" and pledged RM32,000 in support of The Edge Education Foundation.

15 APR

IOILC Americas participated in the clean-up of Channahon Park District's I&M ("Illinois & Michigan") Canal State Trail.

18
MAY

IOI Pan-Century ("IOI Pan-Cen") initiated a joint emergency response with three neighbouring companies and three government agencies to test the effectiveness of corporate collaboration and response capabilities to any oil or product spill.

20
MAY

Eighty-nine students received the Young Achievers' Awards from Yayasan TSLSC plus cash prizes, plaques and certificates worth RM38,900 in recognition of their excellent results in public examinations and active participation in extra-curricular activities.

26
MAY

IOILC Americas donated US$2,000 for "Red Nose Day", a fundraiser organised to raise funds to fight poverty in the United States.

1
JUN

Yayasan TSLSC initiated Bargain Basement at IOI City Mall to encourage the public to donate pre-loved or unused items to help the community. 100% of its net proceeds will be channelled to various charities.

IOI Oleo held a third donation drive for Persatuan Kebajikan Kanak-Kanak Cacat Yee Ran Jing Sheh and contributed over 238 essential items.

10
JUN

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' LEE SHIN CHENG
PSM, DPMS, JP
Executive Chairman

DATO' LEE YEOW CHOR
DSAP
Chief Executive Officer

LEE YEOW SENG
Non-Independent Non-Executive Director

LEE CHENG LEANG
Executive Director

TAN SRI PETER CHIN FAH KUI
PSM, SSAP, PGBK, PBS, ABS
Senior Independent Non-Executive Director

DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY
DSDK, DMSM, KMN, AMN
Independent Non-Executive Director

CHEAH TEK KUANG
JP
Independent Non-Executive Director

LIM TUANG OOI
AMN
Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY*
DSDK, DMSM, KMN, AMN
Chairman

TAN SRI PETER CHIN FAH KUI*
PSM, SSAP, PGBK, PBS, ABS

CHEAH TEK KUANG*
JP

NOMINATING AND REMUNERATION COMMITTEE

TAN SRI PETER CHIN FAH KUI*
PSM, SSAP, PGBK, PBS, ABS
Chairman

DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY*
DSDK, DMSM, KMN, AMN

CHEAH TEK KUANG*
JP

EXECUTIVE SHARE OPTION SCHEME COMMITTEE

TAN SRI DATO' LEE SHIN CHENG
PSM, DPMS, JP
Chairman

DATO' LEE YEOW CHOR
DSAP

LEE YEOW SENG

CHARTERED SECRETARY

VINCENT TAN CHOONG KHIANG
(MAICSA 7018448)

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Fax +60 3 2783 9222

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8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel +60 3 7720 1188
Fax +60 3 7720 1111

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

STOCK CODE

1961

WEBSITES

www.ioigroup.com
www.ioioleo.com
www.ioiloders.com

EMAIL ADDRESS

corp@ioigroup.com

* *Independent Non-Executive Directors*

BOARD OF DIRECTORS


1


2


3


4

1 **TAN SRI DATO' LEE SHIN CHENG**
Executive Chairman

2 **DATO' LEE YEOW CHOR**
Chief Executive Officer

3 **LEE CHENG LEANG**
Executive Director

4 **LEE YEOW SENG**
Non-Independent Non-Executive Director


5


6


7

5 **TAN SRI PETER CHIN FAH KUI**
Senior Independent Non-Executive Director

6 **DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY**
Independent Non-Executive Director

7 **CHEAH TEK KUANG**
Independent Non-Executive Director

8 **LIM TUANG OOI**
Non-Independent Non-Executive Director


8

PROFILE OF DIRECTORS

01 TAN SRI DATO' LEE SHIN CHENG

Executive Chairman
Malaysian, Age 77, Male

Tan Sri Dato' Lee Shin Cheng was first appointed to the Board on 21 July 1981.

He is the founder of IOI Group which was listed on Bursa Malaysia Securities Berhad on 28 July 1980. Tan Sri Lee is pivotal to the operations of IOI Group, having founded the plantation and property businesses more than twenty-five (25) years ago. Through his entrepreneurial leadership and stewardship, strategic vision, guidance, wisdom as well as his vast experience, IOI Group has grown in tandem to become one of the leading plantation and property group in Malaysia. As Executive Chairman, he oversees the day-to-day operations to ensure the smooth and effective running of the Group.

In recognition of Tan Sri Lee's immense contributions to the evolving needs and aspirations of the property industry in Malaysia, he was bestowed the singular honour of FIABCI Malaysia Property Man of the Year 2001 Award. In February 2002, Tan Sri Lee was conferred the Honorary Doctorate Degree in Agriculture by Universiti Putra Malaysia in recognition of his contributions to the palm oil industry. In 2006, Tan Sri Lee was conferred the Fellowship of the Incorporated Society of Planters ("FISP") by Malaysia's ISP. In October 2008, Tan Sri Lee was conferred Honorary Fellowship of the Malaysian Oil Scientists' and Technologists' Association ("MOSTA") for his outstanding contributions to agriculture, in particular the oleochemical and specialty oils and fats. Tan Sri Lee was also awarded the prestigious Malaysian Palm Oil Association ("MPOA") Recognition Award 2011 for his outstanding contributions and leadership in the plantation industry. In recognition of Tan Sri Lee's leadership efforts and qualities in Malaysian palm oil industry, he was awarded the Palm Oil Industry Leadership Award in September 2015 by Malaysian Palm Oil Council ("MPOC"). Tan Sri Lee was a Council Member of the East Coast Economic Region Development Council ("ECERDC") for the Government from 2008 to 2014.

Tan Sri Lee is also active in providing his advice and guidance to a large number of industry groupings, associations and social organisations. He serves as, among others, the Honorary President of the Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM").

Tan Sri Lee is also presently the Executive Chairman of IOI Properties Group Berhad.

Tan Sri Lee is the father of Dato' Lee Yeow Chor and Lee Yeow Seng, and the brother of Lee Cheng Leang.

He attended all the five (5) Board Meetings held during the financial year ended 30 June 2016.

02 DATO' LEE YEOW CHOR

Chief Executive Officer
Malaysian, Age 50, Male

Dato' Lee Yeow Chor was first appointed to the Board on 25 April 1996 and was appointed as Chief Executive Officer of the Group on 8 January 2014. He is responsible for setting the strategic directions and ensuring the optimal performance of the Group's core business segments.

Dato' Lee is a barrister from Gray's Inn, London and holds a LLB (Honours) from King's College London and a Postgraduate Diploma in Finance and Accounting from London School of Economics. Prior to joining IOI Group as a General Manager in 1994, he served in the Malaysian Attorney General's Chambers and the Malaysian Judiciary Service for about four (4) years. His last posting was as a Magistrate.

Dato' Lee is presently a Non-Executive Director on the Boards of IOI Properties Group Berhad and Bumitama Agri Ltd respectively. He is also a Trustee of Yayasan Tan Sri Lee Shin Cheng, the charitable arm of the IOI Group.

Dato' Lee has been the Chairman of the Malaysian Palm Oil Council ("MPOC") since 2009 and also serves as a Council Member in the Malaysian Palm Oil Association ("MPOA") since 2002. In March 2015, Dato' Lee was appointed as a Director on the Board of Bank Negara, the Central Bank of Malaysia.

He was a Director of the Malaysian Green Technology Corporation from 2011 to 2013, and served on the National Council of the Real Estate and Housing Developers' Association ("REHDA") Malaysia as its Secretary General from 2002 to 2006.

Dato' Lee is the eldest son of Tan Sri Dato' Lee Shin Cheng and brother of Lee Yeow Seng.

He attended all the five (5) Board Meetings held during the financial year ended 30 June 2016.


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PROFILE OF DIRECTORS (Cont'd)

03 LEE CHENG LEANG
Executive Director
Malaysian, Age 68, Male

Lee Cheng Leang was first appointed to the Board on 21 July 1981. He has considerable experience in the hardware, chemical and industrial gas industry. Lee Cheng Leang continues to make a strong contribution to the Board.

Lee Cheng Leang is the brother of Tan Sri Dato' Lee Shin Cheng.

He attended all the five (5) Board Meetings held during the financial year ended 30 June 2016.

04 LEE YEOW SENG
Non-Independent Non-Executive Director
Malaysian, Age 38, Male

Lee Yeow Seng was first appointed to the Board on 3 June 2008. Since joining the IOI Group, he has been actively involved in corporate affairs and general management within IOI Group.

Lee Yeow Seng is a barrister from the Bar of England & Wales by Inner Temple and holds a LLB (Honours) from King's College London. He has served at the London and Singapore offices of a leading international financial services group for approximately three (3) years.

He is also presently the Chief Executive Officer of IOI Properties Group Berhad.

He is the youngest son of Tan Sri Dato' Lee Shin Cheng and the brother of Dato' Lee Yeow Chor.

He attended all the five (5) Board Meetings held during the financial year ended 30 June 2016.

PROFILE OF DIRECTORS (Cont'd)

05 TAN SRI PETER CHIN FAH KUI

Senior Independent Non-Executive Director
Malaysian, Age 71, Male

Tan Sri Peter Chin Fah Kui was first appointed to the Board on 1 December 2014. He is a barrister from Gray's Inn, London.

Tan Sri Peter Chin had held various senior appointments in the Malaysian Government Administration from 1986 until his retirement in May 2013 including the positions of Federal Minister, Federal Deputy Minister and Federal Parliament Secretary for the Ministry of Energy, Green Technology and Water, Ministry of Plantation Industries and Commodities, Ministry of Housing and Local Government, Ministry of Science, Technology and the Environment and Ministry of Welfare Services respectively.

Tan Sri Peter Chin was the Chairman for Miri Municipal Council in 1984 and Member of Parliament for Lambir and Miri constituencies in Sarawak from 1986 to 2013. Tan Sri Peter Chin has been the Special Advisor to Malaysia Green Technology Corporation ("MGTC") since November 2013 and was appointed as the Chairman of MGTC on 7 April 2015.

Tan Sri Peter Chin is the Chairman of the Nominating and Remuneration Committee as well as member of the Audit and Risk Management Committee of the Company. He is also a Trustee of Yayasan Tan Sri Lee Shin Cheng.

He attended four (4) out of the five (5) Board Meetings held during the financial year ended 30 June 2016.

06 DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY

Independent Non-Executive Director
Malaysian, Age 66, Male

Datuk Karownakaran @ Karunakaran *a/l* Ramasamy was first appointed to the Board on 17 January 2011. Datuk R. Karunakaran obtained a Bachelor of Economics (Accounting) (Honours) degree from the University of Malaya in 1972. He joined the Malaysian Industrial Development Authority ("MIDA") in August 1972 and served in various positions including Deputy Director, Director, Deputy Director-General and Director-General. He also served as the Director of MIDA Singapore, Cologne (Germany) and London. Having served MIDA for about thirty-six (36) years, Datuk R. Karunakaran retired as the Director-General of MIDA in June 2008, a position he held for about four (4) years. During his service with MIDA, he was responsible for the promotion and coordination of the development of the manufacturing and services sectors in Malaysia including promoting domestic and foreign investment in Malaysia. He was also a member of the Cabinet Committee on Investment.

Datuk R. Karunakaran is the Chairman of the Audit and Risk Management Committee as well as member of the Nominating and Remuneration Committee of the Company. He is the Chairman of Integrated Logistics Berhad, Etiqa Insurance Berhad and Etiqa Takaful Berhad. He is also a Director of Malayan Banking Berhad, Maybank Ageas Holdings Berhad, Maybank Asset Management Group Berhad, Maybank (Cambodia) Plc, and Bursa Malaysia Berhad. He is also a Director of several private limited companies.

He attended all the five (5) Board Meetings held during the financial year ended 30 June 2016.


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PROFILE OF DIRECTORS (Cont'd)

07 CHEAH TEK KUANG
Independent Non-Executive Director
Malaysian, Age 69, Male

Cheah Tek Kuang was first appointed to the Board on 22 August 2012. He graduated with a Bachelor of Economics degree from University of Malaya and is a Fellow of The Asian Institute of Chartered Bankers, formerly known as the Institute of Bankers Malaysia. He first joined AmInvestment Bank Berhad in 1978 and was promoted to the position of Managing Director in 1994. He then moved to head the AmBank Group when he was appointed as Group Managing Director of AMMB Holdings Berhad on 1 January 2005 till his retirement in April 2012. Prior to joining the AmBank Group, he was with the Malaysian Investment Development Authority.

Cheah Tek Kuang is also a member of the Audit and Risk Management Committee as well as Nominating and Remuneration Committee of the Company. He also sits on the Board of several public listed companies. He is the Independent Non-Executive Chairman of Berjaya Sports Toto Berhad and Independent Non-Executive Director of UMW Oil & Gas Corporation Berhad, Eco World International Berhad and MOL Global, Inc.

Presently he sits on the Board of several non-profit organisations. He is a Governor of Yayasan Bursa Malaysia, Board member of Malaysian Institute of Art and MIA Enterprise Sdn Bhd.

He attended all the five (5) Board Meetings held during the financial year ended 30 June 2016.

08 LIM TUANG OOI
Non-Independent Non-Executive Director
Malaysian, Age 54, Male

Lim Tuang Ooi was appointed to the Board on 17 January 2011. He is the Senior General Manager of the Employees Provident Funds of Malaysia ("EPF"), which is the country's largest retirement fund with fund size of RM708 billion as of end July 2016. He has been with EPF for nine (9) years and he oversees the overall risk management function of the organisation.

Lim Tuang Ooi is a professionally qualified Chartered and Certified Public Accountant and is a member of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA"). He is also granted professional membership to the Chartered Institute of Public Finance and Accountancy, United Kingdom ("CIPFA") as Chartered Public Finance Accountant ("CPFA").

Lim Tuang Ooi is a veteran with more than thirty-three (33) years of experience in the banking, risk management and accounting industry. He joined EPF in November 2007 and prior to that he was the Chief Financial Officer of Hong Leong Bank Berhad where he oversaw the financial management, accounting operations, tax management, strategic planning and risk management functions. He was with Citibank for more than fifteen (15) years and held many roles covering business banking, credit and market risk management, customer service, quality management, analytics, financial modelling and operations. He spent seven (7) years with KPMG where he qualified as a Chartered and Certified Public Accountant and worked in the areas of audit and consultancy. He also sits on the board of directorship of a major real estate and master property development company.

He attended all the five (5) Board Meetings held during the financial year ended 30 June 2016.

Notes:

1. *Save as disclosed above, none of the Directors have:*
   (a) any family relationship with any directors and/or major shareholders of the Company; and
   (b) any conflict of interest with the Company.
2. *None of the Directors have any conviction for offences (other than traffic offences) within the past five (5) years.*
3. *None of the Directors have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2016.*

SENIOR MANAGEMENT TEAM

Executive Chairman
Tan Sri Dato' Lee Shin Cheng

Chief Executive Officer
Dato' Lee Yeow Chor

Executive Director
Lee Cheng Leang

CORPORATE

Chief Financial Officer
Kevin Wong Tack Wee

Group Legal Counsel
Farah Suhanah Ahmad Sarji

Group Head of Sustainability
Dr Surina binti Ismail

Chartered Secretary
Vincent Tan Choong Khiang

PLANTATION

Senior General Manager
Sudhakaran a/l Nottath Bhaskaran

General Manager, Lahad Datu
Ragupathy a/l Selvaraj

General Manager, Indonesia
Goh Hock Sin

COMMODITIES MARKETING

General Manager, Commodities Marketing
Lim Jit Uei

REFINERY

General Manager
Shyam a/l M. K. Lakshmanan

OLEOCHEMICALS

Executive Director
Tan Kean Hua

Chief Operating Officer, Johor
Gurdev Singh a/l Darshan Singh

Chief Operating Officer, Penang
Lai Choon Wah

Chief Operating Officer, Germany
Thomas Kummer

SPECIALTY OILS AND FATS

Chief Executive Officer
Julian Veitch

Chief Operating Officer, Americas
William (Bill) Troy

Chief Operating Officer, Europe
Dr Loek Favre

Chief Operating Officer, Asia
Michael van Sallandt

PROFILE OF SENIOR MANAGEMENT TEAM

The management team is headed by the Group Executive Chairman, Tan Sri Dato' Lee Shin Cheng and the Group Chief Executive Officer, Dato' Lee Yeow Chor. They are assisted by the Executive Director and the following senior management team:

CORPORATE

KEVIN WONG TACK WEE

Chief Financial Officer

Nationality : Malaysian
Age / Gender : 54 / Male
Date of Appointment : 1 October 2012

Skills and Experience:

Mr Kevin Wong is a fellow member of the Chartered Institute of Management Accountants (FCMA), Chartered Global Management Accountant (CGMA) and a member of Chartered Accountant, Malaysia (CA, Malaysia). He has more than thirty (30) years of experience in financial management, group accounting, taxation, treasury management and auditing. He had held various senior positions in multinational companies based in Malaysia and Hong Kong with regional responsibilities. Prior to joining IOI Group, he was the regional Chief Financial Officer of a multinational vegetable oil downstream manufacturing group.

FARAH SUHANAH AHMAD SARJI

Group Legal Counsel

Nationality : Malaysian
Age / Gender : 51 / Female
Date of Appointment : 5 May 2015

Skills and Experience:

Ms Farah Suhanah obtained a Bachelor of Arts in Law (Honours) from the University of Kent at Canterbury, is a Barrister-at-Law of the Middle Temple, UK, and has been called to the Malaysian Bar. Ms Farah Suhanah brings with her more than twenty-five (25) years of experience in legal practice in the areas of privatisation of infrastructure and services, conveyancing of property and real estate, joint venture transactions and arrangements, corporate and commercial transactions, the satellite communications industry as well as regulatory compliance. Prior to joining IOI Group, she was in private legal practice and has also held various senior positions in public listed companies.

DR SURINA BINTI ISMAIL

Group Head of Sustainability

Nationality : Malaysian
Age / Gender : 56 / Female
Date of Appointment : 1 March 2016

Skills and Experience:

Dr Surina binti Ismail obtained a Bachelor of Science (Honours) in Chemistry from Indiana University, MSc. in Polymer Organic Chemistry from University of Massachusetts and a Ph.D. in Bioorganic Polymer from University of Akron, U.S.A. She has more than twenty (20) years of experience working in several multinational and large Malaysian corporations. She brings with her, diverse experience in intellectual property management, research and development, corporate strategy & planning and sustainability. She has strong technical knowledge and experience in oleochemicals, palm oil, rubber products, UV coating and nanotechnology.

VINCENT TAN CHOONG KHIANG

Chartered Secretary

Nationality : Malaysian
Age / Gender : 46 / Male
Date of Appointment : 8 August 2011

Skills and Experience:

Mr Vincent Tan is a fellow member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). He was elected to the MAICSA Council in June 2014 and is the Honorary Treasurer of MAICSA. He has twenty (20) years of working experience in secretarial practice. Mr Vincent Tan started his career with PFA Corporate Services Sdn Bhd ("PFA") in 1995 before joining Southern Steel Group. Subsequently he joined a secretarial services provider firm in 1999 as Assistant Manager and was last designated as the Senior Manager in year 2004 before returning to PFA. Prior to joining IOI Group, he was an Associate Director – Corporate Services with Tricor Services (Malaysia) Sdn Bhd (formerly PFA), a member of The Bank of East Asia Group where he was responsible for management and business development of their corporate secretarial and accounting service divisions.

PLANTATION

SUDHAKARAN A/L NOTTATH BHASKARAN

Senior General Manager

Nationality : Malaysian
Age / Gender : 57 / Male
Date of Appointment : 16 March 2003

Skills and Experience:

Mr Sudhakaran a/l Nottath Bhaskaran holds an Honours Degree in Mechanical Engineering from University of Technology Malaysia and a Diploma in Palm Oil Mill Engineering from MPOB. He joined IOI Group in 2003. He started his career in Felda Mills Corporation as a Mill Engineer and later joined Unilever Plantations where he held several positions as Mill Manager, Estate Manager and General Manager of Plantations.

RAGUPATHY A/L SELVARAJ

General Manager, Lahad Datu

Nationality : Malaysian
Age / Gender : 58 / Male
Date of Appointment : 1 July 1989

Skills and Experience:

Mr Ragupathy a/l Selvaraj holds a Bachelor of Science in Agriculture from Andhra Pradesh Agriculture University, Hyderabad, Andra Pradesh, India. Prior to joining IOI Group as an Assistant Manager in 1989, he was a Cadet Planter in Detas Estate (1988) which was later acquired by IOI Group in 1989.

GOH HOCK SIN

General Manager, Indonesia

Nationality : Malaysian
Age / Gender : 56 / Male
Date of Appointment : 1 February 2008

Skills and Experience:

Mr Goh Hock Sin holds a diploma from the Association of Incorporated Society of Planters. He was with a plantation group in the Republic of Indonesia prior to joining IOI Group in 2008.

COMMODITIES MARKETING

LIM JIT UEI

General Manager

Nationality : Singaporean
Age / Gender : 42 / Male
Date of Appointment : 3 August 2015

Skills and Experience:

Mr Lim Jit Uei obtained a Bachelor of Science in Real Estate (Honours) from the National University of Singapore. He has more than fifteen (15) years of experience in the trading of agricultural commodities with leading commodity companies. Prior to joining IOI Group, he was the Regional Procurement Manager (Commodities) for a global food ingredients manufacturer. He also sits on the Management Board of the Palm Oil Refiners Association of Malaysia ("PORAM").

Mr Lim Jit Uei is the son-in-law of Tan Sri Dato' Lee Shin Cheng and the brother-in-law of both Dato' Lee Yeow Chor and Lee Yeow Seng.

REFINERY

SHYAM A/L M. K. LAKSHMANAN

General Manager

Nationality : Malaysian
Age / Gender : 53 / Male
Date of Appointment : 1 February 2013

Skills and Experience:

Mr Shyam a/l M. K. Lakshmanan holds a Master's Degree in Manufacturing Systems Engineering from the University of Warwick. He is a Chartered Chemical Engineer (U.K.) and a Professional Engineer (Malaysia). Prior to joining IOI Group, initially he worked as a Process Engineer in the edible oil industry and then moved to the chemical industry. His international experiences include handling mineral processing projects in China and Indonesia, and heading a mineral processing plant in Western Australia.

PROFILE OF SENIOR MANAGEMENT TEAM (Cont'd)

OLEOCHEMICALS

TAN KEAN HUA
Executive Director

Nationality : Malaysian
Age / Gender : 52 / Male
Date of Appointment : 1 April 2011

Skills and Experience:

Mr Tan Kean Hua holds a First Class Honours Degree in Chemical Engineering from University of Malaya and an Executive MBA Degree from the University of Bath-Malaysian Institute of Management. Prior to joining IOI Group in 2004, he held a senior marketing position in an oleochemicals multinational company. He has been appointed Chairman of Malaysian Oleochemical Manufacturers Group ("MOMG") since March 2010 and is also the current chair of the Asean Oleochemical Manufacturers Group ("AOMG"). In May 2010, he was appointed to the Board of Malaysia Palm Oil Board ("MPOB").

GURDEV SINGH A/L DARSHAN SINGH
Chief Operating Officer, Johor

Nationality : Malaysian
Age / Gender : 58 / Male
Date of Appointment : 1 October 2013

Skills and Experience:

Mr Gurdev Singh holds a Upper Second-Class Honours Degree in Accountancy from University of London - King's College London. Prior to joining IOI Group in 2007, he held a senior manager position within the Pan Century division. Mr Gurdev Singh is experienced in financial management, treasury management, cost and budgetary accounting, auditing and customised computerisation in Pan-Century Edible Oils and marketing in oleochemicals fatty acids and soap noodles since 1999.

LAI CHOON WAH
Chief Operating Officer, Penang

Nationality : Malaysian
Age / Gender : 53 / Male
Date of Appointment : 1 October 2013

Skills and Experience:

Mr Lai Choon Wah holds a Degree in Chemical and Process Engineering from the National University of Malaysia and also a Master degree in Business Administration from University Science Malaysia. He has extensive working experience in oleochemical industry and had been working with IOI Group since 1997. Before his appointment as Chief Operating Officer in July 2016, he was the Senior General Manager.

THOMAS KUMMER
Chief Operating Officer, Germany

Nationality : German
Age / Gender : 47 / Male
Date of Appointment : 16 February 2016

Skills and Experience:

Mr Thomas Kummer holds a Bachelor of Chemical Production and Management. Prior to IOI Group taken over the business from the former owner in 2016, he held a senior operation position in the former organisation and has more than twenty (20) years of experience in the oleochemical business in different management positions.

SPECIALTY OILS AND FATS

JULIAN VEITCH

Chief Executive Officer

Nationality : British
Age / Gender : 57 / Male
Date of Appointment : 1 April 2012

Skills and Experience:

Mr Julian Veitch holds a Master's Degree in Engineering, Economics and Management from Oxford University. Prior to joining IOI Group in 2005, he worked for Cadbury Schweppes, Scott Paper Company, The Savola Company and Asia Food & Properties Ltd. He has extensive experience in marketing, merger and acquisitions, and general management. Before his appointment as CEO, he was Chief Operating Officer for IOI Loders Croklaan, North America.

WILLIAM (BILL) TROY

Chief Operating Officer, Americas

Nationality : American
Age / Gender : 57 / Male
Date of Appointment : 1 January 2013

Skills and Experience:

Mr William (Bill) Troy holds a Bachelor of Science Degree in Chemical Engineering from Lehigh University in Bethlehem, Pennsylvania and a Masters of Business Administration from Fairleigh Dickinson University in Madison, New Jersey. Before joining IOI Loders Croklaan in 2010, he held progressive positions in engineering, research and technology, operations and general management in the chemical, food and biofuels industries, with Diamond Shamrock, Occidental Chemical, The Stepan Company, ConAgra Foods and GreenHunter Energy. Prior to his present role, he was Vice President of Operations for IOI Loders Croklaan, North America.

DR LOEK FAVRE

Chief Operating Officer, Europe

Nationality : Dutch
Age / Gender : 55 / Male
Date of Appointment : 1 September 2009

Skills and Experience:

Dr Loek Favre holds a Ph.D. in Chemistry from Leiden University. Prior to joining IOI Loders Croklaan in 1998, he worked for a number of different entities of Unilever in the fields of detergents, cosmetic ingredients (oleochemicals) and clinical products. He has extensive experience in research and development, industrial marketing and sales and general management. He has been appointed Chairman of Dutch MVO since January 2014, member of the Executive Board of FEDIOL since June 2013, and member of the Steering Committee of the European Palm Oil Alliance since January 2013.

MICHAEL VAN SALLANDT

Chief Operating Officer, Asia

Nationality : Dutch
Age / Gender : 52 / Male
Date of Appointment : 18 June 2012

Skills and Experience:

Mr Michael van Sallandt holds a Master's Degree in Food Science from Wageningen University. Prior to rejoining IOI Group in July 2012, he worked as an independent business consultant. He has extensive experience in information technology, project management, supply chain, operations, business development and general management.

Notes:

Save as disclosed above, none of the above senior management team have:

(a) any directorship in public companies and listed issuers;

(b) any family relationship with any directors and/or major shareholders of the Company;

(c) any conflict of interest with the Company;

(d) any conviction for offences (other than traffic offences) within the past five (5) years; and

(e) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

GROUP BUSINESS ACTIVITIES

Plantation

IOI CORPORATION BERHAD*
PLANTATION SUBSIDIARIES
Oil Palm Plantations
Crude Palm Oil Mills

** Listed on the Main Market of Bursa Malaysia Securities Berhad*

Resource-Based Manufacturing

IOI EDIBLE OILS GROUP
Palm Oil Refinery
Palm Kernel Crushing

IOI OLEOCHEMICAL INDUSTRIES BERHAD GROUP
Oleochemicals

IOI LODERS CROKLAAN GROUP
Specialty Oils and Fats
Palm Oil Refinery and Fractionation

GLOBAL PRESENCE

Plantation & Mill
Resource-based Manufacturing
Sales/Procurement/Regional Office

NORTH AMERICA

1 Channahon, USA
2 New Jersey, USA
3 Toronto, CANADA

SOUTH AMERICA

4 Sao Paulo, BRAZIL

AFRICA

5 Cairo, EGYPT
6 Tema, GHANA
7 Bobo Dioulasso, BURKINA FASO

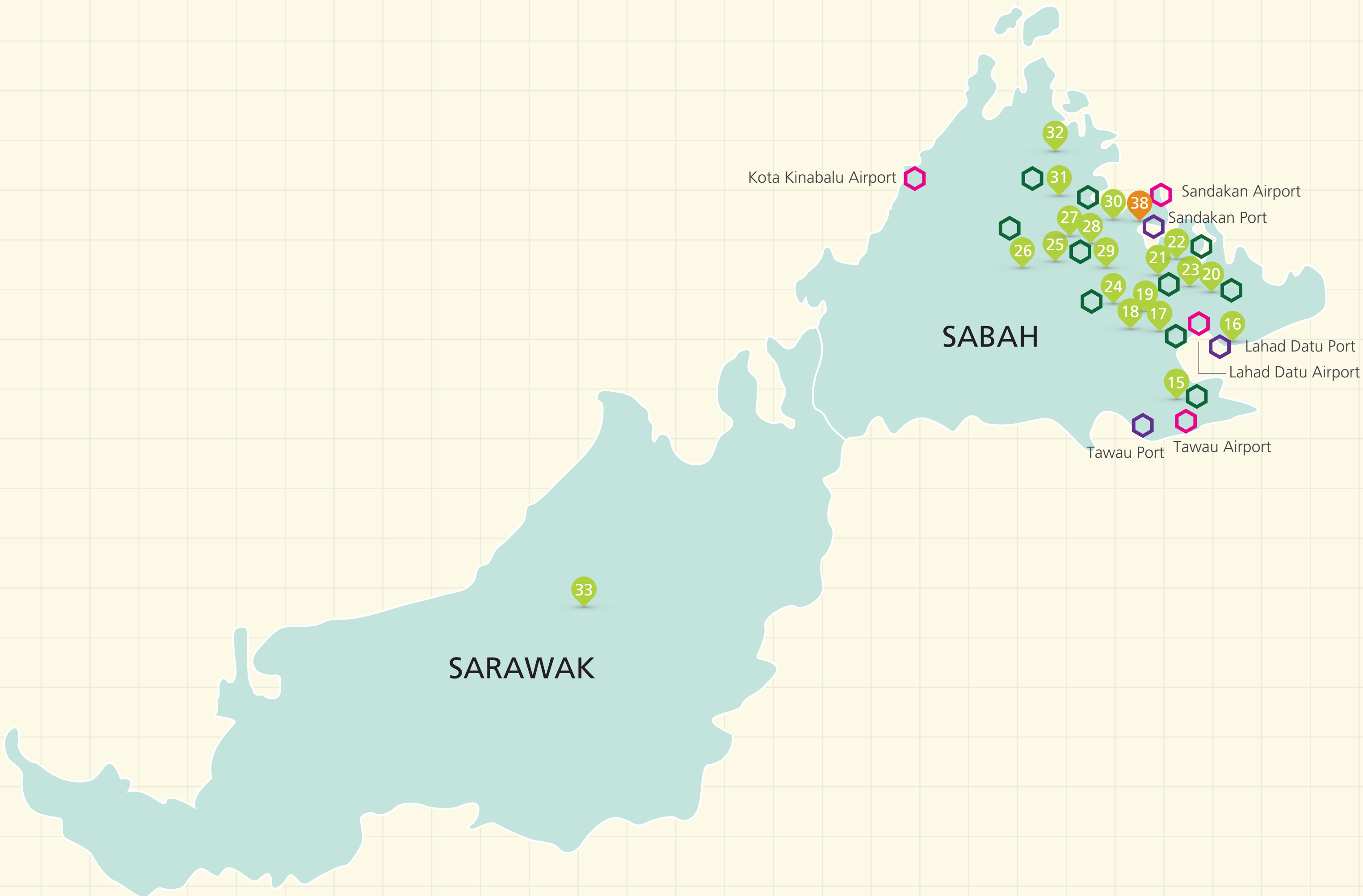
EUROPE

8 Rotterdam, THE NETHERLANDS
9 Wormerveer, THE NETHERLANDS
10 Milan, ITALY
11 Warsaw, POLAND
12 Moscow, RUSSIA
13 Hamburg, GERMANY
14 Witten, GERMANY
15 Wittenberge, GERMANY

ASIA

16 MALAYSIA
17 Kalimantan, INDONESIA
18 Shanghai, THE PEOPLE'S REPUBLIC OF CHINA
19 Xiamen, THE PEOPLE'S REPUBLIC OF CHINA
20 Manila, THE PHILIPPINES

LOCAL PRESENCE



PLANTATION (PENINSULAR)

1 Bukit Dinding Estate

2 Detas Estate

3 Bukit Leelau Estate

4 Leepang A Estate & Laukin A Estate

5 Mekassar Estate & Merchong Estate

6 Pukin Estate

7 Shahzan IOI 1 Estate & Shahzan IOI 2 Estate

8 Bahau Estate & Kuala Jelei Estate

9 IOI Research Centre & Regent Estate

10 Gomali Estate, Paya Lang Estate & Tambang Estate

11 Bukit Serampang Estate & Sagil Estate

12 Segamat Estate

13 Kahang Estate

14 Pamol Barat Estate, Pamol Timur Estate, Mamor Estate & Unijaya Estate

PLANTATION (EAST MALAYSIA)

15 Baturong Estate

16 Cantawan Estate

17 Unico 6 Estate

18 Halusah Estate

19 Tas Estate

20 Unico 1-5 Estates

21 Morisem 1-5 Estates

22 Leepang 1-5 Estates

23 Permodalan Estate

24 Syarimo 1-9 Estates

25 Bimbingan Estate

26 Mayvin Estate & Tangkulap Estate

27 Laukin Estate

28 Ladang Sabah Estates, IOI Lab & Sandakan Regional Office

29 Linbar Estates

30 Sakilan Estate

31 Pamol Sabah Estates

32 Sugut Estate

33 Sejap Estate & Tegai Estate

RESOURCE-BASED MANUFACTURING

34 IOI Oleochemical Operations

35 IOI Pan-Century Oleochemicals & Refinery Operations

36 IOI Lipid Enzymtec Plant

37 IOI Loders Croklaan Refinery/ Specialty Fats Operations

38 IOI Palm Oil Refinery/ Kernel Crushing Plant

CORPORATE CALENDAR

2015

13 JUL

IOI Acidchem Sdn Bhd ("IOI Acidchem"), a subsidiary of IOI Oleochemical Industries Berhad ("IOI Oleo") recorded the start of multiple shipment parcels of Roundtable on Sustainable Palm Oil ("RSPO") Segregated fatty acids to customers in Denmark.

1 AUG

IOI Group joined the Malaysian Collective Impact Initiatives along with several other private companies, non-profit organisations and government agencies to collectively drive positive change in the community at large.

18 AUG

IOI Loders Croklaan ("IOILC") received the TreeHouse Excellence Award for 2014/2015 and was named Supplier of the Year by Bay Valley Foods for its research and development expertise in today's fast-paced environment as well as its dedication to provide solutions and customer satisfaction.

7 SEP

IOI Group Executive Chairman Tan Sri Dato' Lee Shin Cheng was conferred the Palm Oil Industry Leadership Award 2015 by Malaysian Palm Oil Council for his contribution to the development of palm oil industry in the country.

17 SEP

IOILC obtained the International Sustainability & Carbon Certification ("ISCC") for its sustainable shea supply chain. It is the first vegetable oils and fats company to obtain this certification.

25 SEP

IOI Oleo's efficient co-generation heat and power plant was successfully commissioned and has boosted total energy efficiency to above 90%. It is expected to generate 6.5 MW electricity per hour and reduce greenhouse gas emissions by saving 40,000 MT of CO_2 emission per year.

29 SEP

IOI Group appointed Tenaganita, a Malaysian non-governmental organisation, to review the current labour and working conditions in its plantations in Malaysia. The move, to commence over nine months, is in line with its Sustainability Policy Statement.

26 OCT

IOI Corporation Berhad ("IOIC") was recognised as the Most Profitable Company: Highest Return on Equity Over Three Years in the plantation sector at The Edge Billion Ringgit Club Corporate Awards 2015.

16 OCT

IOI Loders Croklaan Europe celebrated the 10th anniversary of the first delivery of oil from Rotterdam refinery in the Netherlands.

1 NOV

IOILC is constructing a new US$65 million palm oil speciality oils and fats factory on a 16-hectare plot in Xiamen, the People's Republic of China to cater for its existing and potential customers in the country. The construction, which started in May 2015, is expected to be completed by end of 2016.

CORPORATE CALENDAR (Cont'd)

11 NOV

IOILC launched Vitavance™, a new range of dedicated products for animal nutrition which focuses on supporting animal health, growth and vitality.

3 DEC

IOI Loders Croklaan Americas achieved the single largest savings in natural gas usage that saw over US$80,000 savings in natural gas.

8 DEC

IOI Pan-Century Oleochemicals Sdn Bhd ("IOI Pan-Cen Oleo") won two Gold Awards (Employee Health & Safety Code; and Community Awareness & Emergency Response Code) and two Merit Awards (Process Safety Code; and Distribution Code) in the 12th Chemical Industries Council of Malaysia ("CICM") Responsible Care Awards 2014/2015.

Meanwhile, IOI Acidchem garnered a Gold Award (Pollution Prevention Code), three Silver Awards (Employee Health & Safety Code; Process Safety Code; and Distribution Code) and a Merit Award (Community Awareness & Emergency Response).

14 DEC

IOI Acidchem received the highest accolade in environmental management by winning the Challenge Trophy in the biennial Prime Minister's Hibiscus Award 2014/2015. It was also accorded the Excellent Achievement in Environmental Performance Award and retained the Penang State Award that it won previously.

2016


SIRIM QAS

CERTIFICATE

SIRIM QAS International hereby certifies that

IOI PAN-CENTURY OLEOCHEMICALS SDN. BHD.
LOT 231, JALAN PEKELILING,
PASIR GUDANG INDUSTRIAL ESTATE,
81700 PASIR GUDANG,
JOHOR DARUL TAKZIM.
MALAYSIA

has implemented an Energy Management System complying with

ISO 50001:2011

ENERGY MANAGEMENT SYSTEM – Requirements with Guidance for Use

Scope of Certification:

OPERATION OF A PLANT FOR THE MANUFACTURING OF VARIOUS GRADE OF FATTY ACIDS, SOAP NOODLES AND GLYCERINE FROM PALM KERNEL OIL, PALM STEARIN, PALM OIL AND OTHER VEGETABLE OILS AND FATS.

Issue date : 15 January 2016
Validity period : 15 January 2016 – 14 January 2019


SIRIM QAS

CERTIFICATE

SIRIM QAS International hereby certifies that

IOI PAN-CENTURY EDIBLE OILS SDN. BHD.

ISO 50001:2011

Scope of Certification:

OPERATION OF A PLANT FOR THE PROCESSING OF CRUDE PALM OIL AND MANUFACTURING OF PALM BASED PRODUCTS (RBD PALM OIL, RBD PALM OLEIN, RBD PALM STEARIN AND PFAD).

Issue date : 15 January 2016
Validity period : 15 January 2016 – 14 January 2019

15 JAN

IOI Pan-Century ("IOI Pan-Cen") became the first refinery and oleochemical company in Malaysia to be certified ISO 50001 by SIRIM following its relentless green initiatives to further reduce energy consumption and implementation of the ISO 50001 Energy Management System.

15 FEB

IOI Oleo GmbH (formerly known as Alstersee 217. V V GmbH which is an indirect wholly-owned subsidiary of IOI Corporation Berhad) completed the acquisition of Cremer Oleo GmbH & Co KG's entire oleochemical manufacturing business in Germany.

3 MAR

IOI Loders Croklaan Asia ("IOILC Asia") unveiled its newly-built ISO tank loading facility which enables it to continue serving its clients and rapidly expanding businesses. The new facility is dedicated to the production of nutrition lipid Betapol®.

5 JUN

IOILC Asia successfully installed six new 70 MT tanks, involving a RM2.7 million investment, to cater for a number of new "Low Trans" and "No Trans" specialty fats that will give an extra 12,000 TPA volume of specialty fats.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors of IOI Corporation Berhad is pleased to present the report on the Audit and Risk Management Committee (the "Committee") of the Board for the financial year ended 30 June 2016.

The Audit Committee was established on 24 March 1994 in line with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). Subsequently, on 6 September 2012, the Audit Committee was renamed as the Audit and Risk Management Committee.

A MEMBERS

The Committee consists of three (3) following members, who each satisfy the "independence" requirements contained in the Listing Requirements of Bursa Malaysia. The biography of each member of the Committee is set out in the Profile of Directors section:-

Datuk Karownakaran @ Karunakaran a/l Ramasamy
Chairman
Independent Non-Executive Director

Tan Sri Peter Chin Fah Kui
Member
Senior Independent Non-Executive Director

Cheah Tek Kuang
Member
Independent Non-Executive Director

B SUMMARY OF KEY SCOPE OF RESPONSIBILITIES

The Committee operates under a written Audit and Risk Management Committee's Terms of Reference containing provisions that address requirements imposed by Bursa Malaysia. That Terms of Reference is posted on the Corporate Governance section of the Company's website at www.ioigroup.com.

The Terms of Reference prescribes the Committee's oversight of financial compliance matters in addition to a number of other responsibilities that the Committee performs. Those key responsibilities include, among others:-

- Overseeing the financial reporting process and integrity of the Group's financial statements
- Evaluating the independence of external auditors
- Evaluating the performance and process of the Company's internal audit function and external auditors
- Overseeing the Group's system of disclosure controls and system of internal controls that management and the Board have established
- Assessing the Company's practices, processes and effectiveness of risk management
- Reviewing conflict of interest situations and related party transactions of the Group
- Reviewing any significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed

C SUMMARY OF WORK OF THE COMMITTEE

The Committee report provides an overview of the work that the Committee carried out during the year, including the significant issues considered in relation to the financial statements and how the Committee assessed the effectiveness of the external auditors.

The Committee has a responsibility to oversee the Group's internal control and risk management systems. The Committee continues to monitor and review the effectiveness of the Group's internal control and risk management systems with the support of Group Internal Audit and Risk Management function.

The Committee has an annual work plan, developed from its Terms of Reference, with standing items that the Committee considers at each meeting, in addition to any matters that arise during the year. The summary of work and the main matters that the Committee considered during the financial year ended 30 June 2016 ("FYE 2016") are described below:-

1. Financial statements and reporting

The Committee monitored the financial reporting processes for the Group, which included reviewing reports from, and discussing these with, management and the external auditors, BDO. The Committee has reviewed the unaudited quarterly financial results and audited financial statements of the Group before recommending them for Board's approval.

During the fourth quarter of FYE 2016, the Committee had considered and deliberated at length the reports from management and BDO on the Group's proposal to apply an earlier transition to the Malaysian Financial

Reporting Standards ("MFRS") Framework, and the early adoption of Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants which is effective for annual periods beginning on or after 1 January 2016.

As part of the year-end reporting process, the Committee noted the observations made by BDO with regard to lack of systems integration at the estates, regional office and headquarter at which the Committee had advised management to further improve the system integration. The Committee had also reviewed external auditors' reports on other internal controls, accounting and reporting matters and a management representation letter concerning accounting and reporting matters as well as recommendations in respect of control weaknesses noted in the course of their audit. There were no significant and unusual events or transactions highlighted by the management as well as external auditors during the financial year.

2. Going concern assessment

The Committee and the Board reviewed the going concern basis for preparing the Group's consolidated financial statements, including the assumptions underlying the going concern statement and the period of assessment. The Committee's assessment was based on presentation by management and took note of the principal risks and uncertainties, the existing financial position, the Group's financial resources, and the expectations for future performance and capital expenditure.

3. Internal audit

The Internal Audit provides independent and objective assurance and advisory services designed to add value and improve the operations of the Group. Its scope encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management and internal control processes in relation to the Group's defined goals and objectives. The Committee approved the internal audit function's charter, which sets out its role, scope, accountability and authority.

The Head of Group Internal Audit, who is an Associate Member of The Institute of Internal Auditors Malaysia, reports functionally to the Committee, and the Committee reviewed and approved the annual Internal Audit plan and budget for activities to be undertaken during 2016/2017. The Committee also reviewed the adequacy of the scope, functions, competency and resources of the internal audit function during the year.

The Internal Audit Department performs routine audit on and reviews all operating units within the Group, with emphasis on principal risk areas. Internal Audit adopts a risk-based approach towards planning and conduct of audits, which is partly guided by an Enterprise Risk Management ("ERM") framework. Impact on the "Vision IOI" is taken into consideration in determining the risk level as a holistic approach in contributing to the achievement of the Group's objectives and in enhancing shareholders' value.

105 audit assignments (including 11 special audit assignments) were completed during the financial year on various operating units of the Group covering plantation, resource-based manufacturing and other segments. Audit reports were issued to the Committee and Board quarterly incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and management's comments on the findings. An established system has been put in place to ensure that all remedial actions have been taken on the agreed audit issues and recommendations highlighted in the audit reports. Certain significant issues and matters unsatisfactorily resolved had been highlighted to the Committee and it was also agreed on an increased focus on the speed of their resolution.

The Committee reviewed the audit reports presented by Internal Audit Department on findings and recommendations and management's responses thereto and ensure that material findings are adequately addressed by management.

The tasks, responsibilities, and goals of the Committee and internal auditing are closely intertwined in many ways. Certainly, as the magnitude of the "corporate accountability" issue increases, so does the significance of the internal auditing and audit committee relationship. The Committee had met one (1) time privately (without management presence) with the Head of Group Internal Audit during the FYE 2016 in assuring that the mechanisms for corporate accountability are in place and functioning.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

The total costs incurred for the internal audit function of the Group for the FYE 2016 was RM3,547,640 (2015: RM3,173,589). The increase in the internal audit cost was mainly attributed to the newly set up of Sandakan region internal audit office in addition to Lahad Datu internal audit team during the FYE 2016.

4. Risk review

The Board and management drive a proactive risk management culture and ensure that the Group's employees have a good understanding and application of risk management principles towards cultivating a sustainable risk management culture through education. Regular risk awareness sessions are conducted at the operational level to promote the understanding of risk management principles and practices across different functions within the Group. In addition, a risk-based approach is embedded into existing key processes as well as new key projects, and is compatible with the Group's internal control systems.

The Board conducts periodic reviews on the adequacy and integrity of the Group's ERM framework and policies, particularly in relation to the mechanisms for principal risk identification, assessment, response and control, communication and monitoring.

Bi-annual review of the effectiveness of risk management and internal control processes was carried out by the Committee. The Committee focused its review on the Company's risk mitigation and controls and the strategic and organisation-wide risks facing the Group. Risk management activities take place throughout the organisation to support the Committee in its corporate governance responsibilities, working with the business to proactively and effectively manage risk. This, together with the related control and the following assurance processes, is designed to identify, evaluate and manage risk and to ensure that the resultant residual risks meet the risk appetite of the Board:-

- Bi-annual risk review reports compiled by the respective operating units' Risk Management Committees, and annual presentation to and discussion with the Committee.
- Operating units' CEO/CFO's Internal Control Certification and Assessment Disclosure.
- Operating unit's response to the Questionnaire on Control and Regulations.

The Committee discussed with management how they would continue to deliver high-quality oversight and risk evaluation against sustainability matters including but not limited to Roundtable on Sustainable Palm Oil ("RSPO") action plans arising from the RSPO certification suspension, which was lifted on 8 August 2016. Where areas for improvement have been identified and the necessary actions in respect of the relevant control procedures have been or are being taken.

The details relating to risk management is reported separately under "Statement on Risk Management and Internal Control" on pages 109 to 112.

5. Assessing the effectiveness of external audit process

The Committee places great importance on ensuring that there are high standards of quality and effectiveness in the external audit carried out by BDO. Audit quality is reviewed by the Committee throughout the year and includes reviewing and approving the annual audit plan to ensure that it is consistent with the scope of the audit engagement. In reviewing the audit plan, the Committee discussed the significant and elevated risk areas identified by BDO most likely to give rise to a material financial reporting error or those that are perceived to be of higher risk and requiring additional audit emphasis. The Committee also considered the audit scope and materiality threshold.

The Committee met with BDO at various stages during the audit process, including without management present, to discuss their remit and any issues arising from the audit. During the FYE 2016, the Committee met privately four (4) times with BDO without management present.

The Committee concluded that the effectiveness of the external audit process remains strong.

6. **Auditors' re-appointment review**

The Committee considered the re-appointment of BDO. This review took into account the following factors:-

(i) Auditors' effectiveness

The Committee met with management, including without the auditors present, to hear their views on the effectiveness of the external auditors. The criteria for assessing the effectiveness of the audit included the robustness of the audit, the quality of the audit delivery and the quality of the people and service. The Committee concluded that the performance of BDO remained effective.

(ii) Independence and objectivity

The Committee reviews the work undertaken by the external auditor and each year assesses its independence, objectivity and performance. In doing so, it takes into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services. The Committee monitors the auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, as well as assessing annually its qualifications, expertise, resources and the effectiveness of the audit process, including presentation from the external auditor on its own internal quality procedures.

The audit engagement partner is required to rotate every five (5) years as per BDO firm policy, which is in accordance with the by By-Laws (on professional ethics, conduct and practice) of the Malaysian Institute of Accountants (MIA). The current audit engagement partner has held the position for four (4) years and the last rotation of previous audit engagement partner was in 2013. BDO reported to the Committee that it had considered its independence in relation to the audit and confirmed to the Committee that it complies with professional requirements and that its objectivity is not compromised.

The Committee concluded that it continues to be satisfied with the performance of BDO and that BDO continues to be objective and independent in relation to the audit. Hence, the Committee and the Board have recommended their re-appointment.

(iii) Non-audit work carried out by the external auditors

To help protect auditor objectivity and independence, the provision of any non-audit services provided by the external auditors requires prior approval, as set out in the table below:-

Approval thresholds for non-audit work	Approver
Below RM200,000 per engagement	CFO
Above RM200,000 and up to RM500,000 per engagement	CEO
Greater than RM500,000 per engagement, or if the value of non-audit fees to audit fees reaches a ratio of 1:2 as a result of a new engagement, regardless of value	Committee

Certain types of non-audit service are of sufficiently low risk as not to require the prior approval of the Committee, such as "audit-related services" including the review of interim financial information. The prohibited services are those that have the potential to conflict directly with the auditors' role, such as the preparation of the Company's financial statements.

Non-audit work undertaken during the period

The total of non-audit fees and audit fees paid to BDO during the FYE 2016 is set out in Note 11 of the audited financial statements.

BDO also provided in its engagement letter on the specific safeguards put in place for each piece of non-audit work confirming that it was satisfied that neither the extent of the non-audit services provided nor the size of the fees charged had any impact on its independence as statutory auditors. The Committee is satisfied that the quantum of the non-audit fees relative to the audit fees (being 34.6% of the total audit fees on a group basis payable to BOD and affiliates) and the Committee concluded that the auditors' independence from the Group was not compromised.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

(iv) Audit fees

The Committee was satisfied that the level of audit fees payable in respect of the audit services provided (being RM2,163,000 for 2016) [2015: RM2,297,000] was appropriate and that an effective audit could be conducted for such a fee. The existing authority for the Directors (including the Committee) to determine the current remuneration of the external auditors is derived from the shareholders' approval granted at the Company's Annual General Meeting ("AGM") in 2015.

Recommendation to re-appointment

Following its consideration, the Committee recommended to the Board the re-appointment of BDO as external auditors. The Board has accepted this recommendation and a resolution for its re-appointment for a further year will be put to the shareholders at the AGM.

7. Other matters considered by the Committee

The Committee also:-

(i) Reviewed whistleblowing activities to monitor the actions taken by the Group in respect of whistleblowing reports received.

(ii) Reviewed the Group's compliance with the relevant provisions set out under the Malaysian Code on Corporate Governance 2012 for the purpose of preparing the Statement on Corporate Governance and Statement on Risk Management and Internal Control pursuant to the Listing Requirements of Bursa Malaysia.

(iii) Reviewed the Circular to Shareholders on the proposed renewal of shareholders' mandate and proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.

(iv) Reviewed the internal audit report relating to existing related party transactions annually.

D ATTENDANCE

Number of Meetings and Details of Attendance

Seven (7) meetings were held during the FYE 2016. The attendance record of each member was as follows:-

Members	Total Number of Meetings	Number of Meetings Attended
Datuk Karownakaran @ Karunakaran a/l Ramasamy	7	7
Tan Sri Peter Chin Fah Kui	7	6
Cheah Tek Kuang	7	6

Three (3) meetings were held subsequent to the financial year end to the date of Directors' Report and were attended by the following members:-

Members	Total Number of Meetings	Number of Meetings Attended
Datuk Karownakaran @ Karunakaran a/l Ramasamy	3	2
Tan Sri Peter Chin Fah Kui	3	2
Cheah Tek Kuang	3	3

E ANNUAL REVIEW AND PERFORMANCE EVALUATION

The Committee reviewed and amended its Terms of Reference during the FYE 2016 due to the changes in the Listing Requirements of Bursa Malaysia. Also, as required by its Terms of Reference, the Committee conducted an annual performance evaluation in an effort to continuously improve its processes.

The Committee's responsibility is to monitor and review the processes performed by management and external auditors. It is not the Committee's duty or responsibility to conduct auditing or accounting reviews or procedures. The Committee members are not employees of the Company. Therefore, the Committee has relied, without Independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with approved accounting principles generally accepted in Malaysia and on the representations of external auditors included in its reports on the Company's financial statements and internal control over financial reporting.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

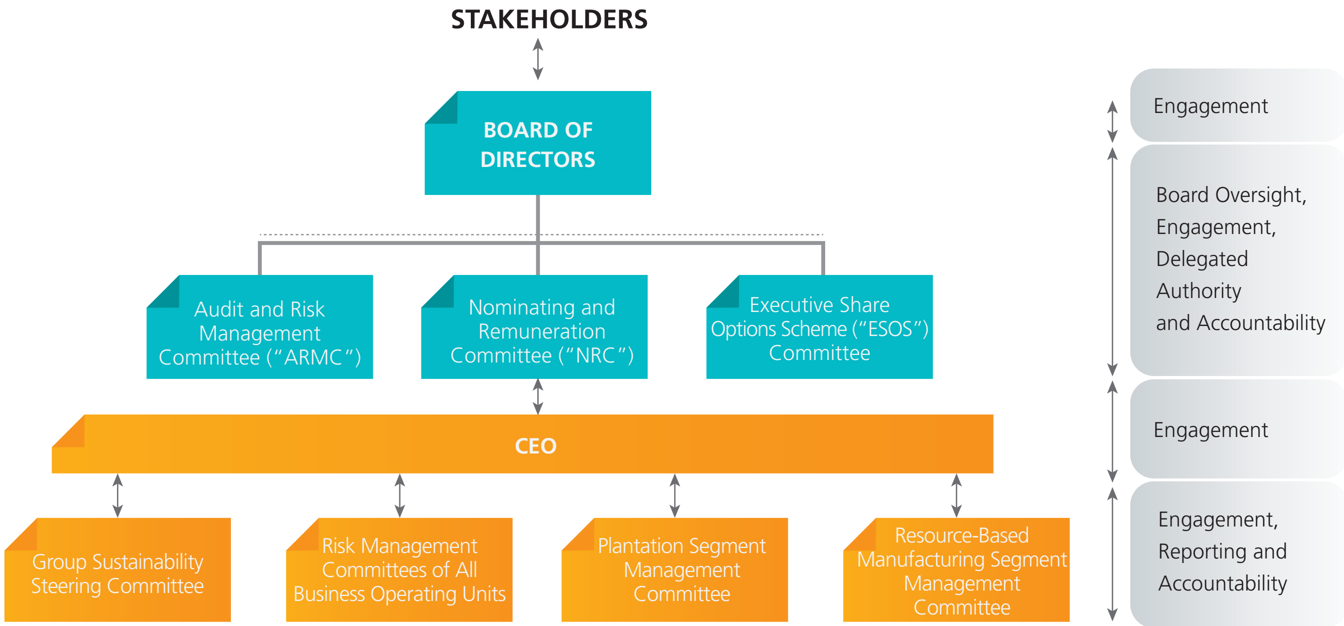
This statement sets out the principles features of IOI Group's corporate governance framework and main governance practices. At IOI Group, we continue to practice a governance framework that goes beyond an interest in governance for its own sake or the need to simply comply with regulatory requirements. In the same of spirit, we do not see governance is just a matter for the Board of Directors (the "Board"). Good governance is also the responsibility of senior management.

The Board recognises the paramount importance of good corporate governance to the success of IOI Group. It strives to ensure that a high standard of corporate governance is being practised throughout IOI Group in ensuring continuous and sustainable growth for the interests of all its stakeholders.

IOI Group's corporate governance practices are guided by its "Vision IOI" whereby responsible and balanced commercial success is to be achieved by addressing the interests of all stakeholders. A set of core values guides our employees at all levels in the conduct and management of the business and affairs of IOI Group. We believe that good corporate governance results in quantifiable and sustainable long term success and value for shareholders as well as all other stakeholders, as reflected by our performance and track record over the years. During the financial year, IOI Group has received numerous accolades and awards in recognition of its efforts.

IOI Group will continue its efforts in evaluating its governance practices in response to evolving best practices and the changing needs of IOI Group. The Board is pleased to present this Statement and explain how IOI Group has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("the CG Code"). The diagram below describes the governance framework at IOI Group. It shows interaction between the stakeholders and the Board, demonstrates how the Board Committee structure facilitates the interaction between the Board and the Chief Executive Officer ("CEO") and illustrates the flow of delegation from stakeholders. We have process in place to ensure the delegation flows through the Board and its committees to the CEO and management committees and into the organisation. At the same time, accountability flows back upwards from the Company to stakeholders.

GOVERNANCE FRAMEWORK



STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

IOI Group has complied with the principles and recommendations of the CG Code save for the following recommendations and will further review its corporate governance practices to bring the same in line with the recommendations under the CG Code:-

The CG Code Recommendations	Compliance	Explanation
Recommendation 3.4 The positions of Chairman and CEO should be held by different individuals, and the Chairman must be a non-executive independent member of the Board	The departure from the Recommendation 3.4 is only limited to non-executive chairman and the reasons for such departure is listed.	The Executive Chairman is Tan Sri Dato' Lee Shin Cheng and the role of CEO is fulfilled by Dato' Lee Yeow Chor. Their roles are separate and there is a clear division of responsibilities to distinguish between the provision of leadership to the Board and the executive responsibility for running IOI Group's business. Despite our Chairman is an executive member of the Board, the Board has the majority presence of Non-Executive Directors, of whom three (3) are Independent Non-Executive Directors with distinguished records and credentials to ensure that there is independence of judgement and balance of power and authority on the Board. The Executive Chairman encourages free expression of opinions and healthy debates by all Directors, allowing sufficient time for discussion of issues and ensuring that all Directors are able to fully and actively contribute to the deliberations and the Board's decisions fairly reflect Board consensus. The NRC was satisfied that notwithstanding Tan Sri Lee's executive chairmanship, he has continued to discharge his duties effectively and has shown tremendous commitment and had played an integral role in the stewardship of IOI Group.
Recommendation 3.5 The Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director	The departure from the Recommendation 3.5 and the reasons for such departure is listed.	The Board comprises eight (8) members, of whom three (3) are Executive Directors, three (3) are Independent Non-Executive Directors and two (2) are Non-Independent Non-Executive Directors. Our Non-Independent Non-Executive Directors are Mr Lee Yeow Seng and Mr Lim Tuang Ooi. Mr Lim Tuang Ooi is a representative of Employees Provident Fund Board ("EPF") may nevertheless be considered as an "Independent Director" wherein EPF is not a promoter of the Company and the aggregate equity shareholding in the Company is 6.19% as at 30 August 2016, pursuant to Paragraph 3.2, Practice Note 13 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The responsibilities of the Board, which should be set out in a Board Charter, include management oversight, setting strategic direction premised on sustainability and promoting ethical conduct in business dealings.

Recommendation 1.1

The Board should establish clear functions reserved for the Board and those delegated to management

The Board takes full responsibility for the oversight and overall performance of the Company and of IOI Group. In discharging its functions and responsibilities, the Board is guided by the Board Charter and Capital Expenditure Policy which outline the duties and responsibilities of the Board, matters reserved for the Board as well as those which the Board may delegate to the Board Committees, CEO and management. The Board has a well-defined framework on the various categories of matters that require the Board's approval, endorsement or notations, as the case may be.

The Board reserves full decision-making powers, amongst others, on the following matters (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to the Committees of the Board or management):-

a) Conflict of interest issues relating to a substantial shareholder or a Director;

b) Material acquisitions and disposals of undertakings and properties not in the ordinary course of business;

c) Material investments in capital projects;

d) Annual budgets (including major capital commitments);

e) Material corporate or financial exercise/restructuring;

f) Declaration of dividend and Directors' fees; and

g) Annual and interim results.

The Board is free to alter the matters reserved for its decision, subject to the limitations imposed by the Articles of Association and the law.

The Board plays a critical role in setting the appropriate tone at the top and is charged with leading and managing IOI Group in an effective, good governance and ethical manner. Each Director has a legal duty to act in the best interest of IOI Group. The Directors are, collectively and individually, aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets IOI Group's values and standards and ensures that its obligations to its stakeholders are understood and met.

All matters not specifically reserved to the Board and necessary for the day-to-day operations of IOI Group are delegated to management. Specifically, the responsibilities of management are, among others:

- Formulating, recommending and implementing the strategic objectives of the Company;
- Translation of the approved strategic plan into annual operating and financial plans of the business;
- Manage the Company's human, physical and financial resources to achieve the Company's objectives;
- Operate within the delegated authority limits set by the Board;
- Assumption of the day-to-day responsibility for the Company's conformance with relevant laws and regulations, its compliance framework and all other aspects of the day-to-day running of the company;
- Develop, implement and manage the Company's risk management and internal compliance and control systems and operate within the risk appetite set by the Board;
- Develop, implement and update policies and procedures;
- Keep pace with industry and economic trends in the Company's operating environment; and
- Provide the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

Executive Directors are involved throughout the investment process and alignment with the Board's strategy is considered from the initial discussion of a transaction, right through to final approval.

The Executive Chairman leads the Board and is responsible for the effective performance of the Board. As Executive Chairman, he also oversees the day-to-day operations to ensure the smooth and effective running of IOI Group.

The CEO implements the policies, strategies and decisions adopted by the Board. All Board authorities conferred on the management is delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

The Executive Directors take on primary responsibility to spearhead and manage the overall business activities of the various business divisions of IOI Group to ensure optimum utilisation of corporate resources and expertise by all the business divisions and at the same time achieves IOI Group's long-term objectives. The Executive Directors are assisted by the head of each division in implementing and running IOI Group's day-to-day business. Their intimate knowledge of the business and "hands-on" management practices enabled IOI Group to have leadership positions in its chosen industries.

The Independent Non-Executive Directors are actively involved in various Board committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance and controls. They provide a broader view, independent assessment and opinions on management proposals sponsored by the Executive Directors.

Recommendation 1.2

The Board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions

The duties and responsibilities of the Board of Directors are clearly spelt out in the Board Charter. To facilitate the discharge of this responsibility and oversight role, the Board is assisted by a number of Board Committees to which the Board has delegated certain key matters.

The Board Committees namely, the ARMC, the NRC and the ESOS Committee, all collectively referred to as the "Committees" are entrusted with specific responsibilities to oversee IOI Group's affairs, in accordance with their respective clear written terms of reference. All terms of reference of the Committees are approved by the Board and reviewed periodically to ensure their continued relevance. At each Board meeting, the Chairmen of the Committees report to the Board on the key issues deliberated and outcome of the Committees meetings. Minutes of the Committees meetings will also presented to the Board for notation and endorsement.

The Board establishes the vision and strategic objectives of the Group, directing policies, strategic action plans and stewardship of the Group's resources towards realising "Vision IOI".

The Board assumes, amongst others, the following significant responsibilities:-

a) Reviewing and adopting strategic plans for IOI Group which include strategies on environmental, social and governance ("ESG") underpinning sustainability;

b) Providing entrepreneurial leadership to management that promotes innovation and long term value creation;

c) Overseeing the conduct of IOI Group's businesses and the performance of management's implementation of IOI Group's strategic and objectives and its performance;

d) Ensuring that the Company has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;

e) Planning for the succession of Board and key senior management and having in place a process to provide for the diversity (including gender diversity);

f) Overseeing the development and implementation of an investor relations programme and shareholder communications policy; and

g) Reviewing the adequacy and integrity of IOI Group's accounting and corporate reporting systems as well as internal control and management information systems.

When running Board meetings the Chairman maintains a collaborative atmosphere and ensures that all Directors contribute to debates. The Chairman or CEO arranges informal meetings and events from time to time to help build constructive relationships between the Board members.

Recommendation 1.3

The Board should formalise ethical standards through a code of conduct and ensure its compliance

All Directors and employees are expected to safeguard the integrity and protect the reputation and performance of IOI Group by behaving ethically and professionally at all times.

The Company's Code of Business Conduct and Ethics (the "Code") sets forth the standard of conduct and culture required for all officers, managers and employees of IOI Group. Adherence to the Code and to our other official policies are essential to maintaining and furthering our reputation for fair and ethical practices among our customers, shareholders, employees, communities and other stakeholders. Working with a strong sense of integrity is critical to maintaining trust and credibility. The Code covers all aspect of IOI Group's business operations, such as fairness, work environment and employment, environment, safety, health and security, company assets and information, dealing with conflict of interest (including no bribes or kickbacks), communicating with the public, financial accounting and reporting accuracy and etc.

In discharging its responsibilities, the Board is also guided by Code of Ethics for Directors issued by the Companies Commission of Malaysia. Directors are expected to conduct themselves with the highest ethical standards and corporate governance. The Directors are required to notify the Company of any potential conflicts of interest that may affect them in their roles as Directors of IOI under the Code. All potential conflicts of interest are recorded and reviewed by the ARMC and full Board.

IOI Group communicates the Code of Ethics for Directors and the Code to all Directors and employees upon their appointment/employment.

In addition, IOI Group encourages its employees to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, suspected violations of the Code and to disclose any improper conduct or other malpractices within IOI Group (i.e. whistleblowing) in an appropriate way.

The Whistleblowing Policy is to provide an avenue for all employees of IOI Group and all agents, vendors, contractors, suppliers, consultants and customers of IOI Group and members of public to raise concerns about any improper conduct within IOI Group without fear of retaliation and to offer protection for such persons (including the employees of IOI Group) who report such allegations.

Any employee or member of the public who has knowledge or is aware that any improper conduct has been, is being, or is likely to be committed within IOI Group is encouraged to make disclosure by filling a prescribed Whistleblower Report Form and submit it through any of the following reporting channels:-

a) E-mail to whistleblowing@ioigroup.com or complete an online whistleblowing form on the IOI Group website, http://whistleblowing.ioigroup.com/

b) Fax to +(603) 8948 8233. Whistleblowing Secretariat – Group Internal Audit, Tel: +(603) 8947 8888 (General line)

c) In person to the respective Head of Business/Operating Unit, or its Head of Human Resource

d) In writing to one or more of the following persons as appropriate at: IOI Group, Level 10, Two IOI Square, IOI Resort City, 62502 Putrajaya, Malaysia

Position	Name	Email Address
Chairman of ARMC	Datuk Karownakaran @ Karunakaran a/l Ramasamy	karownakaran@ioigroup.com
Head of Group Internal Audit	Ling Kea Ang	ling.kea.ang@ioigroup.com
Executive Chairman	Tan Sri Dato' Lee Shin Cheng	whistleblowing@ioigroup.com
CEO	Dato' Lee Yeow Chor	whistleblowing@ioigroup.com
Senior General Manager, Plantation	Sudhakaran a/l Nottath Bhaskaran	nbsudha@ioigroup.com
Executive Director, Oleochemicals	Tan Kean Hua	tankeanhua@ioioleo.com

The Code of Ethics for Directors, the Code and Whistleblowing Policy can be viewed on our website.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Recommendation 1.4

The Board should ensure that the Company's strategies promote sustainability

The Board is cognisant of the importance of business sustainability and, in conducting IOI Group's business, the impact on the ESG is taken into consideration. IOI Group embraces the values of sustainability and corporate responsibility since the early days and embedded them into the core values, policy statements and work practices across its global operations.

The suspension by the Roundtable on Sustainable Palm Oil ("RSPO") of IOI Group's certification, for non-compliance of certain RSPO Principles and Criteria had been lifted on 8 August 2016, was a serious matter and had given rise to new challenges for IOI Group. IOI Group has taken corrective actions to review and enhance its sustainability practices. In March 2016, IOI Group has further put in place a new sustainability team structure where the Sustainability Heads at all operating divisions have a reporting line to IOI Group's Head of Sustainability, who reports directly to IOI Group's CEO. This will ensure that the operations personnel strictly adhere to all sustainability policies, practices and commitments of IOI Group.

IOI Group takes its commitment to sustainable palm oil industry practices seriously. The Company is a founding member of the RSPO which functions as a standards-setter for the global industry. We aim to meet the objective for all IOI estates and palm oil mills in Malaysia to be certified by RSPO and International Sustainability & Carbon Certification ("ISCC").

IOI Group has recently launched its revised Sustainable Palm Oil Policy ("SPOP") and its Sustainability Implementation Plan ("SIP") which reaffirms our commitments to no-deforestation, no planting on peat, zero-burning on all new planting and re-planting as well as driving socio-economic advancement of the communities. It also introduces new commitments on peat land landscape management and protection, peat land rehabilitation, enhanced fire prevention measures, and the implementation of a more robust labor rights monitoring system. Sustainability strategies are also encapsulated in IOI's Vision and Mission and forms part of Sustainability and Corporate Responsibility Statement which can be found in this Annual Report.

Recommendation 1.5

The Board should have procedures to allow its members access to information and advice

All Board members are supplied with information in a timely manner. Board reports are circulated prior to the Board meetings to enable the Directors to obtain further information and explanation, where necessary, before the meetings.

The Board reports include, amongst others, periodical financial and corporate information, significant operational, financial and corporate issues, performance of the various business units and management proposals that require Board's approval.

Detailed periodic briefings on industry outlook, company performance and forward previews (forecasts) are also conducted for the Directors to ensure that the Board is well informed of the latest market and industry trends and developments.

From time to time and where necessary, the Directors, whether as a group or individually, with the consent of the Chairman, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same.

Recommendation 1.6

The Board should ensure it is supported by a suitably qualified and competent Company Secretary

The Company Secretary, Vincent Tan Choong Khiang, having twenty (20) years' experience in corporate secretarial practice. He is a council member cum Honorary Treasurer of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The Company Secretary whose appointment and removal is subject to Board's approval, attend all Board and Board Committee meetings. The Board has direct access to the advice and services of a Company Secretary who is responsible to the Board for ensuring that all governance matters and Board procedures are followed and that applicable laws and regulations are complied with. These include obligations on Directors relating to disclosure of interests and disclosure of any conflicts of interest in transactions with IOI Group. The Company Secretary is also charge with highlighting all compliance and governance issues which they feel ought to be brought to the Board's attention. During the year, the Company Secretary had tabled the summary on the amendments to the Main Market Listing Requirements of Bursa Securities and analysis of corporate governance disclosure in annual report at the Board meeting for their notation.

The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees and senior management. In ensuring the uniformity of Board conduct and effective boardroom practices throughout IOI Group, the Company Secretary has oversight on overall corporate secretarial functions of IOI Group, both in Malaysia and the region where IOI Group operates.

Recommendation 1.7

The Board should formalise, periodically review and make public its Board Charter

The Board adopts the Boards Charter to outline the manner in which its constitutional powers and responsibilities of the Board will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

The Board Charter is established to provide guidance and clarity for the Board's roles and responsibilities as well as the powers between the Board and the management, the different committees established by the Board, between the Executive Chairman, CEO, Executive Directors and Independent Non-Executive Directors.

The Board Charter can be viewed on our website. The Board Charter comprises, among others, the following areas:-

- Roles of the Board and Board Committees
- Role of Individual Directors
- Role of Senior Independent Non-Executive Director
- Role of Chairman and CEO
- Board Composition and Balance
- Board Evaluation
- Meetings
- Remuneration Policies
- Access to Information and Independent Advice
- Financial Reporting
- Stakeholders Communication
- Company Secretary
- Conflict of Interest
- Code of Business Conduct and Ethics

The Board will review the Board Charter every two (2) years and make any necessary amendments to ensure they remain consistent with the Board's objectives, current law and practices. In light of impending launching of the revised CG Code 2016, the Board has agreed to undertake a meaningful review once the revised CG Code has been launched by the Securities Commission. Any updates to the principles and practices set out in this Charter will be made available on the Company's website.

PRINCIPLE 2: STRENGTHEN COMPOSITION

The Board should have transparent policies and procedures that will assist in the selection of Board members. The Board should comprise members who bring value to Board deliberations.

Recommendation 2.1

The Board should establish a Nominating Committee which should comprise exclusively of Non-Executive Directors, a majority of whom must be independent

The NRC of the Board comprises exclusively three (3) Independent Non-Executive Directors as follows:-

NRC Members	Designation
Tan Sri Peter Chin Fah Kui	Chairman, Senior Independent Non-Executive Director
Datuk Karownakaran @ Karunakaran a/l Ramasamy	Member, Independent Non-Executive Director
Cheah Tek Kuang	Member, Independent Non-Executive Director

The NRC is responsible to review and recommend the appropriate remuneration policies applicable to Directors and CEO, the appointment and evaluation of the performance of the Directors and Board Committees. The full term of reference of NRC is available on our website.

The main activities of the NRC were as follows:-

1. Reviewed the Executive Directors' remunerations and Directors' Fees;
2. Performance evaluation of the Board, various Board Committees and key officer(s) of the Company;
3. Evaluation of Directors seeking re-election and re-appointment at the forthcoming Annual General Meeting ("AGM") prior to their endorsement by the Board;
4. Reviewed the independence of the Board's Independent Director;
5. Reviewed the terms of office and performance of the ARMC and its members to determine whether the ARMC and its members have carried out their duties in accordance with their terms of reference;
6. Deliberated on the gender diversity of boardroom prior to the new appointment of Director; and
7. Deliberated the revised CG Code 2016 and Directors' remuneration benchmarking based on top 10 market capitsalisation companies on Bursa Malaysia as well as peers comparison.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Recommendation 2.2

The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors

The procedure for the appointment of new Directors is rigorous and transparent. There are no changes to the composition of the Board occurred during the year.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from the Directors, management or external parties including the Company's contacts in related industries, and finance, legal and accounting professions. The NRC meets with the shortlisted candidates to assess their suitability before formally considering and recommending them for appointment to the Board and where applicable, to the Committees.

In reviewing and recommending to the Board any new Director appointments, the NRC considers: (a) the candidate's independence, in the case of the appointment of an Independent Non-Executive Director; (b) the composition requirements for the Board and Committees (if the candidate is proposed to be appointed to any of the Committees); (c) the candidate's age, track record, skills, knowledge, expertise, experience, professionalism, integrity, capabilities and such other relevant factors as may be determined by the NRC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

The Board through the NRC also annually reviews its required mix of skills and experience and other qualities, including core competencies which the Directors should bring to the Board. The Board has also implemented a process to be carried out by the NRC annually for continuous assessment and feedback to the Board on the effectiveness of the Board as a whole, the Board committees and the contribution of each individual Director.

When deliberating on the performance of a particular Director who is also a member of the NRC, that member abstains from the discussions in order to avoid any conflict of interests. The NRC will reassess the qualifications of a Director, including the Director's past contributions to the Board and the Director's attendance and contributions at Board and Committee meetings, prior to recommending a Director for re-election or re-appointment to another term. The results of the individual evaluation of the Directors are also used by the NRC, in its consultation with the Chairman of the Board, to review, where appropriate, the composition of the Board and Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the re-appointment and re-election of retiring Directors. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

The performance of Chief Financial Officer and other key executives is reviewed yearly by the CEO.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office and at the AGM.

Board Evaluation Criteria

The Board evaluation comprises Performance Evaluation of the Board and various Board Committees, Director's Peer Evaluation and assessment of the independence of the Independent Directors.

The assessment of the Board is based on four (4) main areas relating to board structure, board operations, board and Chairman's roles and responsibilities and board committees' role and responsibilities.

For Director's Peer Evaluation, the assessment criteria include abilities and competencies, calibre and personality, technical knowledge, objectivity and the level of participation at Board and Committee meetings including his contribution to Board processes and the business strategies and performance of IOI Group.

The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and IOI Group and his involvement in any significant transaction with IOI Group.

During the year under review, the Board conducted an internally facilitated Board assessment. Directors provide anonymous feedback on their peers' performance and individual performance contributions to the Board. Each Director was provided feedback on their contribution to the Board and its Committees. The review supported the Board's decision to endorse all retiring Directors standing for re-election.

Re-election and Re-appointment of Directors

In accordance with the Company's Articles of Association ("Articles"), all Directors who are appointed by the Board are subject to re-election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one-third (1/3) of the remaining Directors be subject to re-election by rotation at each AGM provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

The Directors retire by rotation due for re-election pursuant to Article 101 of the Articles at the forthcoming Forty-Seventh AGM are Datuk Karownakaran @ Karunakaran a/l Ramasamy and Mr Lim Tuang Ooi. The profiles of the Directors who are due for re-election are set out on pages 64 and 67.

The Directors who are due for retirement and re-appointment in accordance to Section 129 of the Companies Act, 1965 at the forthcoming Forty-Seventh AGM are Tan Sri Dato' Lee Shin Cheng and Tan Sri Peter Chin Fah Kui. Their profiles are set out on pages 60 and 64.

Diversity

The Board recognises the value of appointing individual Directors who bring a variety of diverse opinions, perspectives, skills, experiences, backgrounds and orientations to its discussions and its decision-making processes. All appointments to the Board will be made on merit while taking into account suitability for the role, board balance and composition, the required mix of skills, background and experience (including consideration of diversity). Other relevant matters will also be taken into account, such as independence and the ability to fulfil required time commitments in the case of Non-Executive Directors.

The Board recognises the challenges in achieving the right balance of diversity on the Board. This will be done over time, taking into account the present size of the Board, the valuable knowledge and experience of the present Board members and the evolving challenges to the Company over time. The Board through its NRC has sought the women candidates and considered in its recruitment exercise recently. The Board believes that while it is important to promote gender diversity, it decided not to set specific targets just to fill the quota for gender diversity as the selection criteria of a Director will be based on an effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board. Nevertheless, the NRC and Board are endeavouring to finalise a woman board member to be appointed in the financial year ending 30 June 2017.

Directors' core areas of expertise

The table below summarises the key skills and experiences of the Directors:-

- Leadership and strategic management
- Business acumen
- Legal
- Finance and banking
- Accounting and financial management
- Risk management and internal control
- Plantation and agronomy
- Government/Public sector regulatory

Some Directors are represented in more than one (1) category.

We are committed to diversity and have had an equal employment opportunity policy that goes beyond gender in terms of promoting diversity in our business, in place for some time. For various reasons set out in the corporate governance section of this Annual Report, the Board has not set specific gender diversity targets at this time. We have a relatively even spread of employees across all age brackets which is reflective of our culture of teamwork and respect. Below is a summary of the gender mix of our team (excluding foreign workers):-

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Employees' gender diversity disclosure

Age Bracket	Headcount of All Employees	% of All Employees	Headcount of Male Employees	% of Male Employees	Headcount of Female Employees	% of Female Employees
20-29	1,980	29.93	1,363	69.00	617	31.00
30-39	1,768	26.73	1,222	69.00	546	31.00
40-49	1,559	23.57	950	61.00	609	39.00
50-59	1,127	17.04	859	76.00	268	24.00
60-69	174	2.63	142	82.00	32	18.00
70 & above	7	0.10	7	100.00	–	–
Grand Total	**6,615**	**100.00**	**4,543**	**–**	**2,072**	**–**

Management position and Directors on the Board of IOI

Category	Total Headcount	Headcount of Male Employees	% of Male Employees	Headcount of Female Employees	% of Female Employees
In management position (Manager & above)	337	270	80.00	67	20.00
Directors on the Board of the Company	8	8	100.00	–	–

In management position

Ethnicity

Recommendation 2.3

The Board should establish formal and transparent remuneration policies and procedures to attract and retain Directors

Based on the remuneration framework, the remuneration packages for the Executive Directors comprise a fixed component in the form of a base salary and, where applicable, meeting allowance together with other benefits-in-kind and variable components (which includes year-end bonus) which is determined by IOI Group's overall financial performance in each financial year are designed to reward performance that supports our strategy and creates sustainable long term value for shareholders.

Executive Directors are eligible to participate in the Company's ESOS and on the same basis as other eligible employees. The Company provides Directors' and Officers' Liability Insurance and may provide an indemnity to the fullest extent permitted by the Companies Act, 1965 (the "Act").

When reviewing the structure and level of Directors' fees, which comprises base Director's fee and additional fees for service rendered on Board Committee, the NRC takes into the consideration of Directors' respective roles and responsibilities in the Board and Committees and the NRC also compared against to the peers' practices.

Each of the Directors receives a base fixed Director's fee and meeting allowance for each Board and general meetings that they attend. The level of remuneration of Non-Executive Directors reflects their experience and level of responsibility undertaken by them. Non-Executive Directors will receive a fixed fee, with additional fees if they are members of Board Committees, with the Chairman of the ARMC or NRC receiving a higher fee in respect of his service as chairman of the respective Committees. The fees for Directors are determined by the full Board with the approval from shareholders at the AGM. No Director is involved in deciding his own remuneration.

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year ended 30 June 2016 ("FYE 2016") are as follows:

1. Aggregate remuneration of Directors categorised into appropriate components:-

	Company					Subsidiaries		
	Fees RM'000	Salaries & Bonus+ RM'000	Benefits-in-kind RM'000	Others^ RM'000	Company Total RM'000	Salaries & Bonus+ RM'000	Others^ RM'000	Group Total RM'000
Executive Directors								
Tan Sri Dato' Lee Shin Cheng	105	19,917	35	110	**20,167**	–	–	**20,167**
Dato' Lee Yeow Chor	105	9,920	27	163	**10,215**	–	–	**10,215**
Lee Cheng Leang	105	–	–	8	**113**	370	10	**493**
Total	**315**	**29,837**	**62**	**281**	**30,495**	**370**	**10**	**30,875**
Non-Executive Directors								
Tan Sri Peter Chin Fah Kui	135	–	–	8	**143**	–	–	**143**
Datuk Karownakaran @ Karunakaran a/l Ramasamy	140	–	–	9	**149**	–	–	**149**
Lee Yeow Seng	105	–	–	6	**111**	–	–	**111**
Cheah Tek Kuang	135	–	–	8	**143**	–	–	**143**
Lim Tuang Ooi	105*	–	–	8	**113**	–	–	**113**
Total	**620**	**–**	**–**	**39**	**659**	**–**	**–**	**659**

Notes:

\+ *The salary and variable bonus are inclusive of employer's provident fund and social security welfare contributions.*

^ *Comprises meeting allowances and leave passages, where relevant.*

* *50% of the Director's fee for nominee of EPF on the Board of the Company is paid directly to EPF.*

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

2. Number of Directors whose remuneration falls into the following bands:-

Range of Remuneration	Number of Directors Executive	Non-Executive
RM1 to RM50,000	–	–
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	–	5
RM150,001 to RM450,000	–	–
RM450,001 to RM500,000	1	–
RM500,001 to RM10,200,000	–	–
RM10,200,001 to RM10,250,000	1	–
RM10,250,001 to RM20,150,000	–	–
RM20,150,001 to RM20,200,000	1	–

For FYE 2016, none of the Directors were offered share options under the Company's ESOS.

PRINCIPLE 3: REINFORCE INDEPENDENCE

The Board should have policies and procedures to ensure effectiveness of Independent Directors.

Recommendation 3.1

The Board should undertake an assessment of its Independent Directors annually

Presently, the Board comprises eight (8) members, of whom three (3) are Executive Directors, three (3) are Independent Non-Executive Directors and two (2) are Non-Independent Non-Executive Directors. The Board composition complies with the Main Market Listing Requirements of Bursa Securities that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is the higher, to be Independent Directors.

Other than the three (3) Independent Non-Executive Directors, Mr Lim Tuang Ooi, a representative from the EPF which is a substantial shareholder of the Company was appointed as Non-Independent Non-Executive Director.

Although a relatively mid-sized Board, it provides an effective blend of entrepreneurship, business and professional expertise in business and risk management, financial (including audit, tax and accounting), legal and technical areas of the industries IOI Group is involved in. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on IOI Group's business and direction. Taking into account the scope and nature of the operations of IOI Group, the Board is satisfied that the current composition and size of the Board provide for sufficient diversity and yet allow for effective decision making.

A brief profile of each Director is presented on pages 60 to 67 of the Annual Report, and the Notice of AGM for Directors proposed for re-election and re-appointment at the 2016 AGM. Currently, no alternate Directors have been appointed in respect of any of the Directors.

The Board and NRC review the independence of Directors annually according to the criteria on independence set out in the below Main Market Listing Requirements and Practice Notes of Bursa Securities on independence. In addition to the annual review by the NRC and the Board of the Directors' independence, each Independent Non-Executive Director also submits an annual declaration.

A Director may be considered independent in character and judgement if he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. Without limiting the generality of the foregoing, an Independent Director is one who:-

(a) is not an Executive Director of the Company or any related corporation of the Company;

(b) has not been within the last two (2) years and is not an officer (except as a Non-Executive Director) of the Company. For this purpose, "officer" has the meaning given in Section 4 of the Act;

(c) is not a major shareholder the Company;

(d) is not a family member of any Executive Director, officer or major shareholder of the Company;

(e) is not acting as a nominee or representative of any Executive Director or major shareholder of the Company;

(f) has not been engaged as an adviser by the Company under such circumstances as prescribed by Bursa Securities or is not presently a partner, Director (except as an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by Bursa Securities; or

(g) has not engaged in any transaction with the Company under such circumstances as prescribed by Bursa Securities or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the Company under such circumstances as prescribed by Bursa Securities.

Tan Sri Peter Chin Fah Kui, Datuk Karownakaran @ Karunakaran a/l Ramasamy and Mr Cheah Tek Kuang are considered to be Independent Directors and the Company satisfies the requirement under Recommendation 3.5 of the CG Code.

In accordance with the best practices in corporate governance, Tan Sri Peter Chin Fah Kui continues to play his role as the Senior Independent Non-Executive Director of the Board to whom concerns of shareholders and stakeholders may be conveyed. The Senior Independent Non-Executive Director may be contacted at Tel: +(603) 8947 8900 and email: peter.chin@ioigroup.com

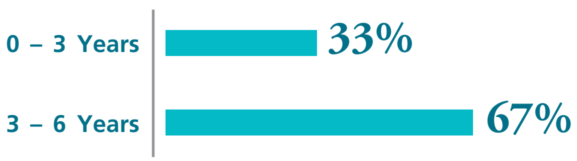
Recommendation 3.2

The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director

Recommendation 3.3

The Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years

Length of Independent Directors' Tenures (in year 2016)



The Board has adopted a letter of appointment that contains the terms on which Non-Executive Directors will be appointed. The letter of appointment clearly defines role of Directors, including among others, the expectations in terms of independence participation, time commitment and continuous improvement.

The tenure of new Senior Independent Non-Executive Director (namely, Tan Sri Peter Chin Fah Kui) of the Company has been set for five (5) years. Currently, the office tenure of other existing Independent Non-Executive Directors is still less than six (6) years. The Board is mindful of the compliance of the Recommendations 3.2 and 3.3 of the CG Code. The Board also believes that each of them has retained independence of character and judgement and has not formed associations with management that might compromise their ability to exercise independent judgement or act in the best interests of IOI Group.

PRINCIPLE 4: FOSTER COMMITMENT

Directors should devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills.

Recommendation 4.1

The Board should set out expectations on time commitment for its members and protocols for accepting new directorships

Regular Board and Committee meetings are scheduled throughout the year and the Directors ensure that they allocate sufficient time to discharge their duties effectively. Occasionally, Board meetings may be held at short notice, when Board-level decisions of a time-critical nature need to be made. The Chairman considers that all the Directors continue to devote sufficient time in discharging their duties.

When considering the re-nomination of Directors for re-election or appointment, the NRC also takes into account the competing time commitments faced by Directors with multiple board representations. In addition to current review procedures of the attendance records, the appointment letter has put in place for Directors to consult the Chairman of the Board with regard to accepting any new appointments as Directors on listed companies and notifying the Board on any changes in their external appointments. This would allow the Director to review his time commitments with the proposed new appointments.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

The Board has at least five (5) regularly scheduled meetings annually, with additional meetings for particular matters convened as and when necessary. Board meetings bring an independent judgement to bear on issues of strategies, risks, performance, resources and standards of conduct.

Five (5) Board meetings were held during the FYE 2016. The attendance record of each Director since the last financial year was as follows:-

	Total Number of Meetings	Number of Meetings Attended
Executive Directors		
Tan Sri Dato' Lee Shin Cheng	5	5
Dato' Lee Yeow Chor	5	5
Lee Cheng Leang	5	5
Non-Executive Directors		
Tan Sri Peter Chin Fah Kui	5	4
Datuk Karownakaran @ Karunakaran a/l Ramasamy	5	5
Lee Yeow Seng	5	5
Cheah Tek Kuang	5	5
Lim Tuang Ooi	5	5

The Directors are required to disclose and update their directorships and shareholdings in other companies as and when necessary. The Directors are also expected to comply with Paragraph 15.06 of the Main Market Listing Requirements of Bursa Securities on the maximum number of five (5) directorships they can hold in public listed companies to ensure that all Directors are able to commit sufficient time for the Company.

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to them before the beginning of every financial year. It provides the schedules dates for meetings of the Board and Board Committees as well as the AGM.

Recommendation 4.2

The Board should ensure its members have access to appropriate continuing education programmes

Training needs as deemed appropriate by individual Board members are provided. Board members keep abreast with general economic, industry and technical developments by their attendances at appropriate conferences, seminars and briefings. Further training is available for Directors, including presentations by the executive team on particular aspects of the business.

All the Directors had completed the Mandatory Accreditation Programme ("MAP") as specified by Bursa Securities.

During the financial year, members of the Board who have attended various training programmes, forums, conferences and seminars are as follows:-

Tan Sri Dato' Lee Shin Cheng	First World Conference of Overseas Chinese Business	6 July 2015 to 7 July 2015
	The Fifth Kubuqi International Desert Forum 2015	28 July 2015 to 29 July 2015
	HSBC Forum: RMB and China's Global Future	17 August 2015
	Malaysia's Economic Update 2015	21 September 2015
	The Maritime Silk Road China-Malaysia Forum	28 September 2015
	Malaysia – China High Level Economic Forum	23 November 2015
	Global Outstanding Chinese Forum 2016	30 April 2016
	The Eighth Conference for Friendship of Overseas Chinese Association	1 June 2016 to 7 June 2016

Dato' Lee Yeow Chor	Palm International Nutra Cosmeceutical Conference	3 August 2015
	Palm Oil Industry Leadership Forum ("PILF") 2015	7 September 2015
	Global Oils and Fats Forum, USA	14 October 2015 to 15 October 2015
	Global Transformation Forum	21 October 2015
	Palm Oil Economic Review and Outlook Seminar 2016	19 January 2016
	IOI In-House Senior Management Training Programme	6 April 2016 to 7 April 2016
	Invest Malaysia 2016 by Bursa Malaysia Berhad	12 April 2016
	Indonesia – Malaysia Investment Forum	29 April 2016
	Palm Oil Trade Seminar, Turkey	16 May 2016 to 17 May 2016
	Sustainability Engagement Series for Directors/Chief Executive Officers	1 June 2016
	Young Presidents Organisation ("YPO") Forum	16 June 2016 to 18 June 2016
Lee Yeow Seng	The Fifth Kubuqi International Desert Forum 2015	28 July 2015 to 29 July 2015
	Sustainability Engagement Series for Directors/Chief Executive Officers	31 March 2016
Lee Cheng Leang	Corporate Governance Breakfast Series with Directors: The Board's Response in Light of Rising Shareholders Engagements	4 August 2015
	The New Auditor's Report - Sharing the UK Experience by Audit Oversight Board ("AOB"), Securities Commission Malaysia	13 January 2016
	Directors Duties, Business Ethics & Governance Seminar 2016	28 April 2016
Tan Sri Peter Chin Fah Kui	Corporate Governance Workshop: The Interplay between Corporate Governance, Non-Financial Information and Investment Decision – What Boards of listed companies need to know	19 August 2015
	Federation of Public Listed Companies Bhd's National Seminar on TPPA 2015	1 December 2015
	Ring the Bell for Gender Equality by Bursa Malaysia	11 March 2016
	Sustainability Engagement Series for Directors/Chief Executive Officers	31 March 2016

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Datuk Karownakaran @ Karunakaran a/l Ramasamy	The Global Sustainability and Impact Investing Forum	23 July 2015
	Swap Futures Presentation by CME	31 July 2015
	Maybank Group Annual Risk Workshop	11 August 2015
	Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: The Law & Compliance	1 September 2015
	World Capital Markets Symposium 2015 – Markets and Technology: Driving Future Growth Through Innovation	3 September 2015
	Sustainability Symposium: Responsible Business, Responsible Investing	8 October 2015
	Presentation by Ministry of International Trade and Industry ("MITI") on TPPA	9 November 2015
	Sime Darby Workshop on Risk Management	14 January 2016
	Invest Malaysia 2016 By Bursa Malaysia Berhad	12 April 2016
	International Emergency Management Organisation Conference by Bursa Malaysia Berhad and World Federation of Exchanges	18 April 2016
	Avoiding Financial Myopia by Financial Institutions Directors' Education ("FIDE") Forum	19 April 2016
Cheah Tek Kuang	Corporate Governance Breakfast Series with Directors: The Board's Response in Light of Rising Shareholders Engagements	4 August 2015
	World Nuclear Association ("WNA") Symposium 2015, London	8 September 2015 to 9 September 2015
	Corporate Governance Breakfast Series: Future of Auditor Reporting – The Game Changer for Boardroom	21 September 2015
	Capital Market Directors Programme ("CMDP") Module 1: Directors as Gatekeepers of Market Participants and Module 4: Current and Emerging Regulatory Issues in the Capital Market	5 October 2015
	CMDP Module 2A: Business Challenges and Regulatory Expectations – What Directors need to know (Equities & Futures Broking)	6 October 2015
	Khazanah Nasional Berhad Megatrends Forum 2015	6 October 2015
	Bursa Malaysia Customised Advocacy Session for UMW Holdings Berhad Group	20 October 2015
	UMW Oil & Gas Board of Director's Training	26 October 2015
	Danajamin Nasional Berhad's Anti-Money Laundering ("AML") Training for Directors	28 October 2015
	ICLIF Leadership Energy Summit Asia 2015	1 December 2015 to 2 December 2015
	Federation of Public Listed Companies Bhd's National Seminar on TPPA 2015	1 December 2015
	CMDP Module 2B: Business Challenges and Regulatory Expectations – What Directors need to know (Fund Management)	2 December 2015
	CMDP Module 3: Risk Oversight and Compliance – Action plan for Board of Directors	3 December 2015
	FIDE Forum – Directors' Remuneration Report 2015	25 February 2016
	Corporate Governance Breakfast Series with Directors: Improving Board Risk Oversight Effectiveness	26 February 2016
	FIDE Forum – Dialogue on Directors' and Officers' Liability Insurance	5 April 2016
	Invest Malaysia 2016 by Bursa Malaysia Berhad	12 April 2016
	FIDE Forum – Second Distinguished Board Leadership Series: Avoiding Financial Myopia	19 April 2016

Lim Tuang Ooi	Course on Talent Acceleration for Sustainable Growth	3 August 2015 to 4 August 2015
	HSBC Forum: RMB and China's Global Future	17 August 2015
	Unscheduled Crisis Simulation at EPF Melaka	11 September 2015
	Unscheduled Crisis Simulation at EPF Ipoh	2 October 2015
	EPF Risk Management Seminar	8 October 2015
	EPF Investment Seminar	17 October 2015
	Course on Leadership Coaching	2 November 2015 to 3 November 2015
	Course on Strategic Leadership Alignment	17 January 2016 to 19 January 2016
	EPF – Islamik Trek Pelaburan	2 February 2016
	Sustainability Engagement Series for Directors/Chief Executive Officers	31 March 2016
	EPF Thought Leadership Session	6 April 2016
	EPF Management Conference 2016	13 April 2016 to 16 April 2016

PRINCIPLES 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board should ensure financial statements are a reliable source of information.

Recommendation 5.1

The Audit Committee should ensure financial statements comply with applicable financial reporting standards

In presenting the annual financial statements and quarterly financial results announcements to shareholders, the Board aims to present a balanced and comprehensible assessment of IOI Group's financial position and prospects and ensures that the financial results are released to Bursa Securities within the stipulated time frame and that the financial statements comply with regulatory reporting requirements. In this regard, the Board is assisted by the ARMC in overseeing and governing IOI Group's financial reporting processes and the quality of its financial reporting.

The financial statements are prepared on a going concern basis and give a true and fair view of the financial position of IOI Group as at 30 June 2016.

In addition to the Chairman's Statement, the Annual Report of the Company contains the following additional non-mandatory information to enhance shareholders' understanding of the business operations of IOI Group:-

- Management's discussion and analysis; and
- Financial trends and highlights, key performance indicators and other background industry notes deemed necessary.

Directors' Responsibility for Preparing the Annual Audited Financial Statements

The Directors are required by the Act to prepare financial statements for each financial year which give a true and fair view of IOI Group and of the Company's state of affairs, results and cash flows. The Directors are of the opinion that IOI Group uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgements and estimates, and that the financial statements have been prepared in accordance with Malaysian Financial Reporting Standards and the provisions of the Act and the Main Market Listing Requirements of Bursa Securities.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

The Directors are satisfied that IOI Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of IOI Group and of the Company and which enable proper financial statements to be prepared. They have also taken the necessary steps to ensure that appropriate systems are in place to safeguard the assets of IOI Group, and to detect and prevent fraud as well as other irregularities. The systems, by their nature can only provide reasonable and not absolute assurance against material misstatements, loss and fraud.

Recommendation 5.2

The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors

The Board maintains a transparent and professional relationship with IOI Group's external auditors. During the year, the ARMC considered the independence and objectivity of BDO based on the criteria quality of services, sufficiency of resources, communication and interaction, audit planning, independence, objectivity and professional scepticism. In determining the independence of BDO, the ARMC reviewed all aspects of their relationships with them including the processes, policies and safeguards adopted by IOI Group and BDO relating to audit independence, and agreed the audit strategy and the audit fee. A copy of the Policies and Procedures to assess the Suitability and Independence of External Auditors can be found in our website.

The ARMC meets periodically to carry out its functions and duties pursuant to its terms of reference. Other Board members also attend meetings upon the invitation of the ARMC. During the FYE 2016, the ARMC met privately four (4) times with the external auditors (i.e. BDO) without the presence of the executive Board members and management. In addition, the external auditors are invited to attend the Company's AGM.

The non-statutory audit fees incurred for services rendered to IOI Group by BDO Malaysia and its affiliates for the FYE 2016 was RM332,000 (2015: RM304,000).

The Board has carefully considered the non-audit fees provided during the year by BDO and is satisfied that the provision of those non-audit services during the year by BDO does not compromise the auditors' independence.

Additional disclosures on non-statutory audit fees and the detailed work carried out by the ARMC for the financial year are set out separately in ARMC Report. The Company requires that the engagement partner involved in the external audit should not remain in a key audit role beyond five (5) years and cannot be re-engaged to play a significant role in the audit of the Company for at least another two (2) successive years. This is consistent with current By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Board should establish a sound risk management framework and internal controls system.

Recommendation 6.1

The Board should establish a sound framework to manage risks

The Board has established a framework to formulate and review risk management policies and risk strategies. Further information on IOI Group's internal control is presented in the Statement on Risk Management and Internal Control.

Recommendation 6.2

The Board should establish an internal audit function which reports directly to the Audit Committee

The Group's internal audit function is carried out by the Internal Audit ("IA") Department, which reports directly to the ARMC on its activities based on the approved annual Internal Audit Plan. The function comprises a dedicated in-house team of qualified professionals based in Putrajaya, Sabah and Penang. The internal audit function is independent of management and has full access of all IOI Group's entities, records and personnel.

The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the ARMC. The ARMC also provides input on the annual performance appraisal of the Head of IA. The Head of IA has unfettered access to the ARMC, the Board and management. The Head of IA and a number of internal auditors of the IA Department are members of The Institute of Internal Auditors Malaysia.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Companies should establish corporate disclosure policies and procedures to ensure comprehensive, accurate and timely disclosure.

Recommendation 7.1

The Board should ensure the Company has appropriate corporate disclosure policies and procedures

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

To ensure that communications to the public regarding IOI Group are timely, factual, accurate, and complete, we have put in place a Media Disclosure Policy which outlines the central principles and practices in communicating with the media.

This Media Disclosure Policy is applicable to all Directors, those authorised to speak on IOI Group's behalf as well as all the employees of IOI. It covers Media Guidelines comprising media protocols to engage with the media in a responsible, productive, and positive manner whilst keeping the integrity of IOI Group in mind.

Recommendation 7.2

The Board should encourage the Company to leverage on information technology for effective dissemination of information

The Company's website is the key communication channel for the Company to reach its shareholders and general public. The Investor Relations section enhances the investor relations function by including all announcements made by the Company, financial results, annual reports, corporate presentation, financial calendar as well as enquiries. The shareholders and general public may direct their enquiries on the Company via "Enquiries" and the Company's Investor Relations team will endeavour to reply to these queries in the shortest possible time.

There is also a section focusing on corporate governance and outlined in that section are the Company's Board Charter, Code of Ethics for Directors, Code of Business Conduct and Ethics, Statement on Corporate Governance, Statement on Risk Management and Internal Control, Whistleblowing Policy and various corporate governance initiative.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board should facilitate the exercise of ownership rights by shareholders.

Recommendation 8.1

The Board should take reasonable steps to encourage shareholder participation at general meetings

All shareholders of the Company receive the annual report of the Company and the notice of AGM, which is also advertised in the press and released via BURSA LINK. The chairmen of the ARMC, NRC and the external auditors were present at the last AGM, and the full Board plans to attend the 2016 AGM, which provides an opportunity for all shareholders to question the Directors in person. Historically, the Company's AGMs have been well attended. It has always been the practice for the Chairman to provide ample time for the Q&A sessions in the AGMs and for suggestions and comments by shareholders to be noted by management for consideration.

Recommendation 8.2

The Board should encourage poll voting

In line with the recent amendments to the Main Market Listing Requirements of Bursa Securities, the Company will implement poll voting for all the resolutions set out in the Notice of AGM via electronic means at the AGM to expedite verification and counting of votes. In addition, the Company will appoint one (1) scrutineer to validate the votes cast at the AGM.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

Recommendation 8.3

The Board should promote effective communication and proactive engagements with shareholders

The Company strives to maintain an open and transparent channel of communication with its stakeholders, institutional investors and the investing public at large with the objective of providing as clear and complete picture of IOI Group's performance and financial position as possible. The Company believes that a constructive and effective investor relationship is an essential factor in enhancing value for its shareholders. However, whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The AGM is the principal forum for dialogue with shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of IOI Group. In addition, the Company uses the following key investor relation activities in its interaction with investors:

- Meeting with analysts and institutional fund managers;
- Participating in roadshows and investors conferences, both domestically and internationally; and
- Participating in teleconferences with investors and analysts.

IOI Group has also established several websites with the main one being www.ioigroup.com for shareholders and the public to access corporate information, financial statements, news and events related to IOI Group on a timely basis. Material facts and presentation materials given out at above functions are made available on IOI Group's website to provide equal opportunity of access for other shareholders and the investing public and to allow them to write in to IOI Group if they have questions.

During the financial year, IOI Group had approximately thirty-six (36) meetings with analysts and investors. IOI Group enjoys a relatively high level of coverage and exposure to the investment community.

Besides the above, management believes that the Company's Annual Report is a vital and convenient source of essential information for existing and potential investors and other stakeholders. Accordingly, the Company strives to provide a high level of reporting and transparency that goes beyond mandatory requirements in order to provide value for stakeholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This statement is in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the Group's compliance with the Principles and Best Practices relating to internal control as stipulated in the Malaysian Code on Corporate Governance 2012.

ROLES AND RESPONSIBILITIES

Board of Directors

The Board of Directors ("the Board") affirms its overall responsibility for the Group's system of internal control, including the assurance of its adequacy and integrity, and its alignment with business objectives. However, it should be noted that control systems are designed to manage rather than to totally eliminate associated risks; and as such, can only provide reasonable but not absolute assurance against material loss or failure.

The Board has established a process for identifying, evaluating, monitoring and managing the significant risks faced by the Group in its achievement of objectives and strategies. This process has been in place for the year under review and up to the date of approval of this statement.

Audit and Risk Management Committee

Board committees such as the Audit and Risk Management Committee and Nominating and Remuneration Committee are established by the Board, and they are governed by clearly defined terms of reference and authority for areas within their scope. The Audit and Risk Management Committee ("ARMC") maintains risk and audit oversight within the Group.

Corporate Risk Management Department

The Group has established the Corporate Risk Management ("CRM") Department to assist the Board and ARMC in discharging their risk management responsibilities. Amongst others the CRM is responsible for assisting in development of risk management framework, policies, processes and procedures; maintaining the risk register for the Group; monitoring operating unit's compliance with the Group's policies and procedures; monitoring and reporting of the key risks as identified by the Management and facilitate the bi-annual risk review.

Group Internal Audit Department

The Group Internal Audit Department ("GIAD") reports directly to the ARMC. The activities of the GIAD are guided by Internal Audit Charter and Annual Audit Plan that are approved by the ARMC. The GIAD monitors compliance with the Group's policies and procedures and applicable laws and regulations, and provides independent and objective assurance on the adequacy and effectiveness of risk management and internal control system by conducting regular audits and continuous assessment. Significant audit findings and recommendations for improvement are tabled quarterly to top management and the ARMC, with periodic follow-up reviews of the implementation of corrective action plans.

RISK MANAGEMENT FRAMEWORK

The Group adopts an Enterprise Risk Management ("ERM") framework which was formalised in 2002 and is consistent with the Committee of Sponsoring Organisations of the Treadway Commission's ("COSO") ERM framework, the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, and Bursa Malaysia's Corporate Governance Guide and also in line with ISO 31000, Risk Management – Principles and Guidelines (which is a standard relating to risk management codified by the International Organisation for Standardisation. ISO 31000 provides a standard on the implementation of risk management).

The Group's ERM framework essentially links the Group's objectives and goals (that are aligned to its Vision) to principal risks; and the principal risks to controls and opportunities that are translated to actions and programmes. The framework also outlines the Group's approach to its risk management policies:

i) Embrace risks that offer opportunities for superior returns

By linking risks to capital, the Group establishes risk-adjusted-return thresholds and targets that commensurate with varying risk levels assumed by its businesses. Superior risk management and other corporate governance practices are also promoted as contributing factors to lowering long-term cost of funds and boosting economic returns through an optimal balance between control costs and benefits.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

ii) Risk Management as a collective responsibility

By engaging every level of the organisation as risk owners of their immediate sphere of risks (as shown in the illustration), the Group aims to approach risk management holistically.

This is managed through an oversight structure involving the Board, ARMC, Internal Audit, Executive Management and business units' Risk Management Committees.

iii) Risk forbearance shall not exceed capabilities and capacity to manage

Any business risk to be assumed shall be within the Group's core competencies to manage. Hence, the continuous effort in building risk management capabilities and capacity are key components of the Group's ERM effort. The Group's overall risk appetite is based on assessments of the Group's risk management capabilities and capacity.

iv) To apply as both a control and strategic tool

As a control tool, the Group ensures that the intensity and types of controls commensurate with assessed risk rankings. The Group also applies risk management as a strategic tool in scoping opportunities, investment and resource allocation, strategy formulation and performance measurement.

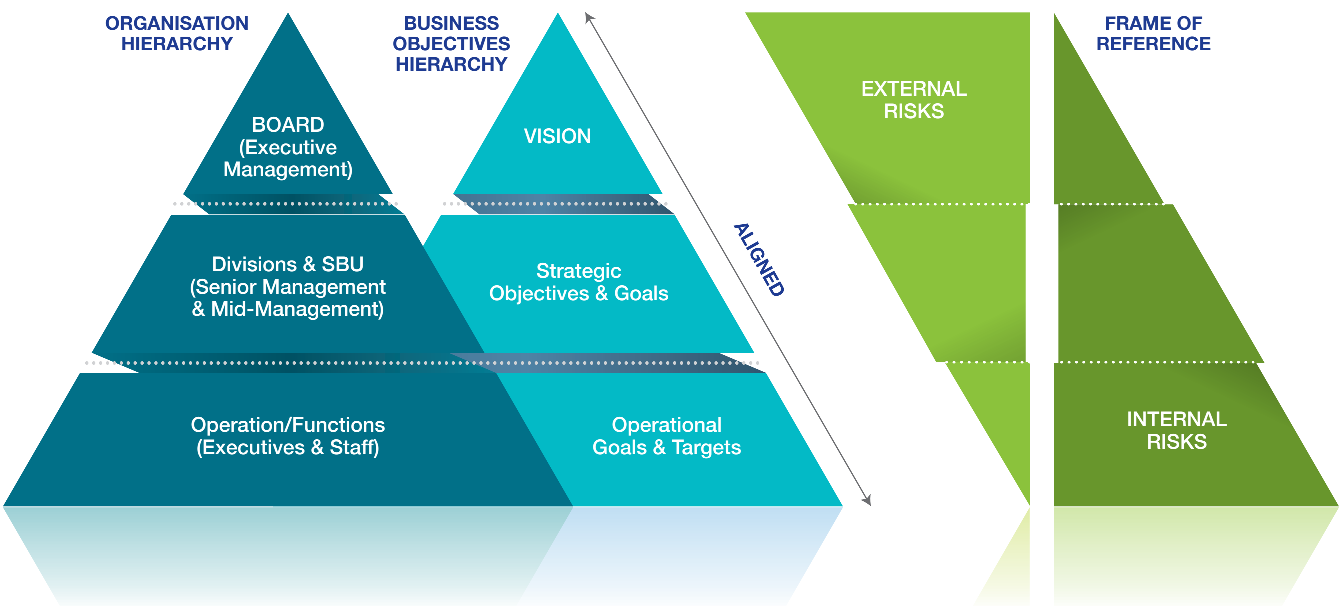
The Board conducts periodic reviews on the adequacy and integrity of the Group's ERM framework and policies, particularly in relation to the mechanisms for principal risks identification, assessment, response and control, communication and monitoring.

The Group's activities are exposed to a variety of risks, including operating, financial and compliance risks. The Group's overall risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its performance and positions. The Group operates within an established risk management framework and clearly defined policies and guidelines that are approved by the Board.

Under the Group's ERM framework, the Group has relevant policies and guidelines on risk reporting and disclosure which cover the following principal risks:

i) Operating Risk

- The Group's policy is to assume operating risks that are within its core businesses and competencies to manage. Operating risk management ranges from managing strategic operating risks to managing diverse day-to-day operational risks.



- The management of the Group's day-to-day operational risks includes those relating to health and safety, quality, production, marketing and distribution, supply chain, sustainability and compliance with laws and regulations and various certifications is mainly decentralised at the business unit level and guided by approved standard operating procedures. Operational risks that cut across the organisation includes those relating to integrated systems, transfer pricing, group sustainability and reputation are coordinated centrally.

ii) Financial Risk

- The Group is exposed to various financial risks relating to credit, liquidity, interest rates, foreign currency exchange rates, and commodity prices. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are set out in Note 41 to the financial statements on pages 215 to 247.

iii) Compliance Risk

- The Group operates in diverse geographical locations and as such is exposed to compliance risks of the laws and regulations in the various countries the Group operates, and compliance with the various certifications including Roundtable on Sustainable Palm Oil ("RSPO") and International Sustainability and Carbon Certification ("ISCC") certifications.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's Core Values

The Group's corporate culture is embedded in its core values of integrity, commitment, loyalty, excellence in execution, speed or timeliness, innovativeness and cost efficiency – to achieve the Group's vision and support the business objectives and goals.

Code of Business Conduct and Ethics

The Group communicates the Code of Business Conduct and Ethics to its employees upon their employment. The Code of Business Conduct and Ethics reinforces the Group's core value on integrity by providing guidance on moral and ethical behaviour that is expected from all employees in following the laws, policies, standards and procedures.

Whistleblowing Policy

A whistleblowing policy is established to provide appropriate communication and feedback channels which facilitate whistleblowing in a transparent and confidential manner to enable employees and stakeholders to raise genuine concerns about possible improprieties, improper conduct or other malpractices within the Group in an appropriate way.

Internal Control Systems

The Group manages its risks by implementing various internal control mechanisms. The key elements of the internal control systems are as follows:

- The Group has an organisational structure that is aligned with its business and operational requirements, with clearly defined lines of responsibility and authority levels. Authority limits for acquisition and disposal of assets, awarding of contracts and approving operating expenditures are established.
- The Group has in place a well-established and documented business processes which are aligned with the strategic business objectives and goals. Policies and procedures and also rules relating to the delegation and segregation of duties have been established for key business processes. The Group's policies and procedures are reviewed and revised periodically to meet changing business and operational needs and regulatory requirements.
- The Group has in place a Management Information System that captures, compiles, analyses and reports relevant data, which enables management to make business decisions in an accurate and timely manner. Management and financial reports are generated regularly to facilitate the Board and the Group's Management in performing financial and operating reviews of the various operating units.
- Annual business plans and operating budgets are prepared by business and operating units, and are approved by the Board. Actual performance and significant variances against budget are monitored on an ongoing basis.
- Key result areas and key performance indicators are established and aligned with the strategic business objectives and goals and are monitored on an ongoing basis.
- Regular management and operation meetings are conducted by senior management which comprises the Chief Executive Officer ("CEO") and divisional heads.
- Board meetings are held at least once in a quarter with a formal agenda on matters for discussion. The Board is kept updated on the Group's activities and operations on a timely and regular basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

RISK REVIEW FOR THE FINANCIAL YEAR

A half-yearly review on the adequacy and effectiveness of the risk management and internal control system has been undertaken for the financial year under review. Each business unit, cutting across all geographic areas, via its respective Risk Management Committees and workgroups comprising personnel at all levels carried out the following areas of work:

- Conducted reviews and updates of risk profiles of principal risks and emerging risks which will potentially derail the achievement of the business objectives and goals.
- Evaluated the adequacy of key processes, systems, and internal controls in relation to the rated principal risks, and established strategic responses, actionable programmes and tasks to manage the aforementioned and/or eliminate performance gaps.
- Ensured internal audit programmes covered identified principal risks. Audit findings throughout the financial period served as key feedback to validate effectiveness of risk management activities and embedded internal controls.
- Reviewed implementation progress of actionable programmes, and evaluated post-implementation effectiveness.
- Reviewed the adequacy of all business resumption and contingency plans, and their readiness for rapid deployment.

The review includes the following:

- Regular internal audit reports which are tabled quarterly to top management and the ARMC.
- Bi-annual risk reviews compiled by the respective units' Risk Management Committees, and annual presentation to and discussion with the ARMC, the Board, internal auditors, and external auditors.
- Operating units' CEO/Chief Financial Officer's ("CFO") Internal Control Certification and Assessment Disclosure.
- Operating units' response to the Questionnaire on Control and Regulations.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors i.e. BDO have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for the financial year ended 30 June 2016. Their review was conducted in accordance with Recommended Practice Guide 5 (Revised) ["RPG 5 (Revised)"], Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by the Malaysian Institute of Accountants ("MIA"). RPG 5 (Revised) does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. RPG 5 (Revised) also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the Group's risk management and internal control system.

CONCLUSION

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

This Statement on Risk Management and Internal Control is made in accordance with the minutes of the Board of Directors meeting held on 13 September 2016.

STATEMENT OF DIRECTORS' INTERESTS

In the Company and its Related Corporations as at 30 August 2016 (Based on the Register of Directors' Shareholdings)

Name of Directors	Direct	%	Indirect	%
The Company *No. of ordinary shares of RM0.10 each*				
Tan Sri Dato' Lee Shin Cheng	67,086,100	1.07	2,976,856,880[1]	47.34
Dato' Lee Yeow Chor	9,000,400	0.14	2,959,773,380[2]	47.07
Lee Yeow Seng	4,180,400	0.07	2,959,678,380[3]	47.07
Lee Cheng Leang	400,000	0.01	–	–
Tan Sri Peter Chin Fah Kui	–	–	20,000[4]	*
Datuk Karownakaran @ Karunakaran a/l Ramasamy	–	–	–	–
Cheah Tek Kuang	–	–	12,000[5]	*
Lim Tuang Ooi	–	–	–	–

By virtue of Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Lee Yeow Seng's interests in the ordinary shares of the Company, they are also deemed to be interested in the ordinary shares of all the subsidiaries of the Company to the extent that the Company has an interest.

Notes:

1 *Deemed interested by virtue of his interest in Progressive Holdings Sdn Bhd ("PH"), which in turn holds 100% equity interest in Vertical Capacity Sdn Bhd ("VC") and shares held by his children, Dato' Lee Yeow Chor, Lee Yeow Seng, Lee Yoke Ling, Lee Yoke Har, Lee Yoke Hean and Lee Yoke Hui*

2 *Deemed interested by virtue of his interest in PH, which in turn holds 100% equity interest in VC and also interest in the Company held by his spouse, Datin Joanne Wong Su-Ching under Section 134(12) of the Companies Act, 1965*

3 *Deemed interested by virtue of his interest in PH, which in turn holds 100% equity interest in VC*

4 *Deemed interested by virtue of the interest in shares of his spouse, Puan Sri Ruby Wee Hui Kiang pursuant to Section 134(12)(c) of the Companies Act, 1965*

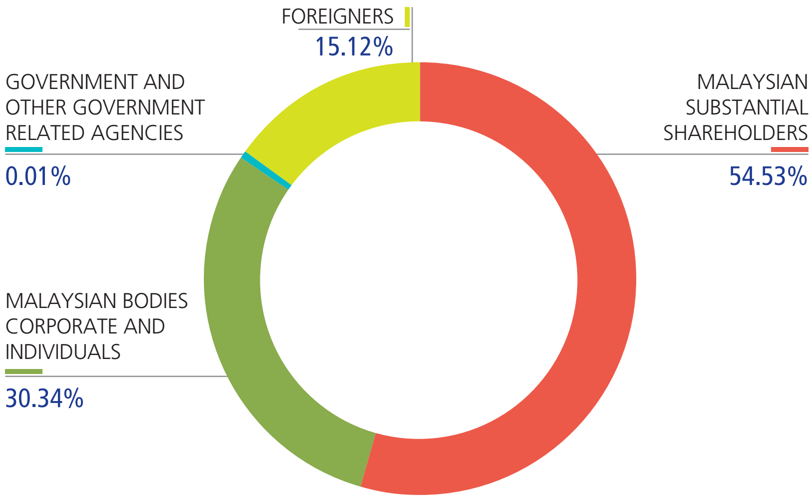
5 *Deemed interested by virtue of the interest in shares of his spouse, Ooi Siew Cheng pursuant to Section 134(12)(c) of the Companies Act, 1965*

* *Negligible*

OTHER INFORMATION

COMPOSITION OF SHAREHOLDERS

as at 30 August 2016



MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests either still subsisting at the end of the financial year ended 30 June 2016 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

Recurrent related party transactions of a revenue nature of IOI Corporation Berhad ("**IOIC**") Group conducted pursuant to shareholders' mandate for the financial year ended 30 June 2016 are as follows:

Transacting Parties	Type of Recurrent Related Party Transactions	Interested Directors/Major Shareholders and Persons Connected	Value of Transactions RM million
Nice Frontier Sdn Bhd ("**NFSB**") (1)	Purchase of fresh fruit bunches ("FFB") by Pamol Plantations Sdn Bhd ("**PPSB**") (1)	• Vertical Capacity Sdn Bhd ("**VCSB**") (2) • Progressive Holdings Sdn Bhd ("**PHSB**") (3) • Tan Sri Dato' Lee Shin Cheng ("**Tan Sri Lee**") (4) • Puan Sri Datin Hoong May Kuan ("**Puan Sri Lee**") (5) • Dato' Lee Yeow Chor ("**Dato' Lee**") (6) • Lee Yeow Seng ("**LYS**") (7) • Lee Cheng Leang ("**LCL**") (8) • Lee Yoke Ling ("**LY Ling**") (9) • Lee Yoke Har ("**LY Har**") (9) • Lee Yoke Hean ("**LY Hean**") (9) • Lee Yoke Hui ("**LY Hui**") (9)	12.0

Transacting Parties	Type of Recurrent Related Party Transactions	Interested Directors/Major Shareholders and Persons Connected	Value of Transactions RM million
Continental Estates Sdn Bhd ("**CESB**") (1)	Purchase of FFB by Dynamic Plantations Berhad ("**DPB**") (1)	• VCSB (10) • PHSB (11) • Tan Sri Lee (12) • Puan Sri Lee (5) • Dato' Lee (13) • LYS (14) • LCL (8) • LY Ling (9) • LY Har (9) • LY Hean (9) • LY Hui (9)	15.4
1. Dynamic Management Sdn Bhd ("**DMSB**") 2. IOI Corporation Berhad ("**IOIC**") 3. IOI Plantation Services Sdn Bhd ("**IPSSB**") 4. Loders Croklaan B.V. ("**LCBV**") 5. IOI Loders Croklaan Oils Sdn Bhd ("**ILCO**") 6. IOI Oleochemical Industries Berhad ("**IOIB**") and its certain subsidiaries	Provision of management services by IOI Global Services Sdn Bhd (formerly known as IOI Corporate Services Sdn Bhd) ("**IGS**") (1)	• VCSB (15) • PHSB (16) • Tan Sri Lee (17) • Puan Sri Lee (5) • Dato' Lee (18) • LYS (19) • LCL (20) • LY Ling (9) • LY Har (9) • LY Hean (9) • LY Hui (9)	4.2 3.8 2.9 0.6 0.3 0.2

Notes:

1 Details of the transacting parties

Name of Company	Effective Equity (%)	Principal Activities
NFSB, a subsidiary of IOI Properties Group Berhad ("**IOIPG**")	Not applicable	Property development, cultivation of plantation produce and property investment
PPSB, a subsidiary of IOIC	100.00	Cultivation of oil palm, processing of palm oil and investment holding
CESB, an associate company of IOIPG	Not applicable	Property development and operation of oil palm estate
DPB, a subsidiary of IOIC	100.00	Cultivation of oil palm and processing of palm oil
@ IGS, a subsidiary of IOIC and associate of IOIPG (35% equity interest)	65%	Sharing common corporate function required by shareholders
DMSB, a subsidiary of IOIPG	Not applicable	Property development, provision of management services and investment holding
IPSSB, a subsidiary of IOIC	100.00	Provision of management services to its related companies
LCBV, a subsidiary of IOIC	100.00	Manufacturing of specialty oils and fats
ILCO, a subsidiary of IOIC	100.00	Refining and sale of palm oil and related products
IOIB, a subsidiary of IOIC	100.00	Investment holding

OTHER INFORMATION (Cont'd)

2 VCSB, a wholly-owned subsidiary of PHSB, is a Major Shareholder of IOIC and IOIPG and a deemed Major Shareholder of NFSB and PPSB

3 PHSB, the holding company of VCSB, is a deemed Major Shareholder of IOIC, IOIPG, NFSB and PPSB

4 Tan Sri Lee is the Executive Chairman and a deemed Major Shareholder of both IOIC and IOIPG. Tan Sri Lee is also a Director of PPSB

5 Puan Sri Lee is a deemed Major Shareholder of IOIC and IOIPG and person connected to Tan Sri Lee, Dato' Lee and LYS

6 Dato' Lee is the Chief Executive Officer of IOIC and a Director of IOIPG and a deemed Major Shareholder of both IOIC and IOIPG. He is a person connected to Tan Sri Lee as he is the son of both Tan Sri Lee and Puan Sri Lee and the brother of LYS. Dato' Lee is also a Director of PPSB

7 LYS is a Director of IOIC and the Chief Executive Officer of IOIPG and a deemed Major Shareholder of both IOIC and IOIPG. He is a person connected to Tan Sri Lee as he is the son of both Tan Sri Lee and Puan Sri Lee and the brother of Dato' Lee. LYS is also a Director of NFSB

8 LCL is a Director of IOIC and a person connected to Tan Sri Lee as he is the brother of Tan Sri Lee

9 LY Ling, LY Har, LY Hean and LY Hui are persons connected to Tan Sri Lee as they are the daughters of both Tan Sri Lee and Puan Sri Lee and the sisters of Dato' Lee and LYS

10 VCSB, a wholly-owned subsidiary of PHSB, is a Major Shareholder of IOIC and IOIPG and a deemed Major Shareholder of DPB

11 PHSB, the holding company of VCSB, is a deemed Major Shareholder of IOIC, IOIPG and DPB

12 Tan Sri Lee is the Executive Chairman and a deemed Major Shareholder of both IOIC and IOIPG

13 Dato' Lee is the Chief Executive Officer of IOIC and a Director of IOIPG and a deemed Major Shareholder of both IOIC and IOIPG. He is a person connected to Tan Sri Lee as he is the son of both Tan Sri Lee and Puan Sri Lee and the brother of LYS. Dato' Lee is also a Director of both CESB and DPB

14 LYS is a Director of IOIC and the Chief Executive Officer of IOIPG and a deemed Major Shareholder of both IOIC and IOIPG. He is a person connected to Tan Sri Lee as he is the son of both Tan Sri Lee and Puan Sri Lee and the brother of Dato' Lee

15 VCSB, a wholly-owned subsidiary of PHSB, is a Major Shareholder of IOIC and IOIPG and a deemed Major shareholder of IGS, DMSB, IPSSB, LCBV, ILCO and IOIB

16 PHSB, the holding company of VCSB, is a deemed Major Shareholder of IOIC, IOIPG, IGS, DMSB, IPSSB, LCBV, ILCO and IOIB

17 Tan Sri Lee is the Executive Chairman and a deemed Major Shareholder of both IOIC and IOIPG. Tan Sri Lee is also a Director of DMSB

18 Dato' Lee is the Chief Executive Officer of IOIC and a Director of IOIPG and a deemed Major Shareholder of both IOIC and IOIPG. He is a person connected to Tan Sri Lee as he is the son of both Tan Sri Lee and Puan Sri Lee and the brother of LYS. Dato' Lee is also a Director of IGS, DMSB, IPSSB, LCBV, ILCO and IOIB

19 LYS is a Director of IOIC and the Chief Executive Officer of IOIPG and a deemed Major Shareholder of both IOIC and IOIPG. He is a person connected to Tan Sri Lee as he is the son of both Tan Sri Lee and Puan Sri Lee and the brother of Dato' Lee. LYS is also a Director of IGS and DMSB

20 LCL is a Director of IOIC and a person connected to Tan Sri Lee as he is the brother of Tan Sri Lee. LCL is also a Director of DMSB

@ Following the disposal of 35% equity interest in IGS by IOIPG on 15 June 2016, IGS is now a wholly-owned subsidiary of IOIC

FINANCIAL REPORTS

DIRECTORS' REPORT

The Directors of IOI Corporation Berhad have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are set out in Note 45 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

The audited financial results of the Group and of the Company for the financial year are as follows:

In RM million	Group	Company
Profit before taxation	965.8	625.2
Taxation	(319.5)	(3.0)
Profit for the financial year	646.3	622.2
Attributable to:		
Owners of the parent	629.7	622.2
Non-controlling interests	16.6	–
	646.3	622.2

DIVIDENDS

Dividends declared and paid since the end of the previous financial year were as follows:

In RM million	Company
In respect of the financial year ended 30 June 2015	
Second interim single tier dividend of 4.5 sen per ordinary share, paid on 18 September 2015	283.6
In respect of the financial year ended 30 June 2016	
First interim single tier dividend of 3.5 sen per ordinary share, paid on 18 March 2016	220.5
	504.1

The Directors declared a second interim single tier dividend of 45% or 4.5 sen per ordinary share, amounting to RM283.0 million in respect of the financial year ended 30 June 2016. The dividend is payable on 23 September 2016 to shareholders whose names appear in the Record of Depositors and Register of Members of the Company at the close of business on 9 September 2016.

No final dividend has been recommended by the Directors for the financial year ended 30 June 2016.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued the following new ordinary shares of RM0.10 each for cash, arising from the exercise of options granted under the Company's Executive Share Option Scheme:

Issue price *RM*	**No. of shares**
2.03	1,260,800
3.49	1,260,000

The newly issued ordinary shares rank pari passu in all respects with the existing issued ordinary shares of the Company.

There was no issue of debentures by the Company during the financial year.

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at an extraordinary general meeting held on 18 November 1999, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed during subsequent Annual General Meetings of the Company, including the last meeting held on 27 October 2015.

The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 35,676,300 ordinary shares of RM0.10 each of its issued shares from the open market. The average price paid for the ordinary shares repurchased was RM4.01 per ordinary share. The repurchase transactions were financed by internally generated funds. The ordinary shares repurchased are held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act, 1965.

The Company has the right to cancel, resell and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended. None of the treasury shares repurchased had been sold as at 30 June 2016.

At the end of the financial year, the number of ordinary shares in issue after deducting treasury shares is 6,288,206,995 ordinary shares of RM0.10 each.

DIRECTORS' REPORT (Cont'd)

EXECUTIVE SHARE OPTION SCHEME

The Executive Share Option Scheme ("ESOS") which was established on 23 November 2005 for the benefit of the executives and full time Executive Directors of the Group expired on 23 November 2015.

The movements of the options over the unissued ordinary shares of RM0.10 each in the Company granted under the ESOS during the financial year prior to expiry were as follows:

		No. of options over ordinary shares			
Option price *RM*	**Date of offer**	**As at 1 July 2015**	**Exercised**	**Lapsed***	**As at 30 June 2016**
2.03	12 January 2006	6,276,500	(1,260,800)	(5,015,700)	–
3.49	2 April 2007	8,598,600	(1,260,000)	(7,338,600)	–
4.17	6 July 2010	1,418,000	–	(1,418,000)	–
Total		16,293,100	(2,520,800)	(13,772,300)	–

* *Due to resignation/retirement of employees and expiry of ESOS on 23 November 2015.*

In view of the expiry of the ESOS, the Company's shareholders approved the establishment of a new executive share option scheme ("New ESOS") of up to ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) at an extraordinary general meeting held on 27 October 2015. Following that, the New ESOS was established on 28 January 2016.

The salient features of the New ESOS are as follows:

a) Maximum number of shares available under the New ESOS

The maximum number of new ordinary shares in the Company ("IOI Shares") which may be granted under the New ESOS shall not in aggregate exceed ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any point of time throughout the duration of the New ESOS.

b) Eligibility

Employee of the Group

Subject to the discretion of the committee appointed by the Board to administer the New ESOS ("ESOS Committee"), any employee of the Group shall be eligible to participate in the New ESOS if, as at the date of the Offer ("Offer Date"), the employee:

i. has attained at least eighteen (18) years of age;

ii. falls under the grade of M1 and above;

iii. is confirmed in writing as a full time employee and/or has been in employment of the Group (excluding subsidiaries which are dormant and/or incorporated outside Malaysia) for a period of at least three (3) years of continuous service prior to and up to the Offer Date; and

iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

EXECUTIVE SHARE OPTION SCHEME (Continued)

b) Eligibility (Continued)

Director of the Group

Subject to the discretion of ESOS Committee, any Director of the Group shall be eligible to participate in the New ESOS if, as at Offer Date, the Director:

i. has attained at least eighteen (18) years of age;

ii. is an Executive Director who has been involved in the management of the Group (excluding subsidiaries which are dormant and/or incorporated outside Malaysia) for a period of at least three (3) years of continuous service prior to and up to the Offer Date;

iii. the specific allocation of the new IOI Share to such Executive Director under the New ESOS must have been approved by the Shareholders at a general meeting and he/she is not prohibited or disallowed by the relevant authorities or laws from participating in the New ESOS; and

iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

(The eligible employees (including Executive Director) above are hereinafter referred to as "Eligible Person(s)")

c) Maximum allowable allotment and basis of allocation

Subject to any adjustment which may be made under the By-Laws, the maximum number of new IOI Shares that may be offered under the New ESOS shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the Eligible Person's position, performance, length of service and seniority in the Group respectively, or such other matters which the ESOS Committee may in its discretion deem fit subject to the following:

i. the Eligible Person does not participate in the deliberation or discussion in respect of their own allocation; and

ii. the number of new IOI Shares allotted to any Eligible Person, who either singularly or collectively through person connected with him/her (as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")), holds twenty percent (20%) or more of the issued and paid-up capital of the Company, shall not exceed ten percent (10%) of the total number of new IOI Shares to be issued under the New ESOS, provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other requirements of the relevant authorities and as amended from time to time.

d) Exercise price

The exercise price shall be based on the higher of the following:

i. the five (5)-day volume weighted average market price of IOI Shares, as quoted on Bursa Securities, immediately preceding the Offer Date, with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the New ESOS; or

ii. the par value of the IOI Shares of RM0.10 each;

and subject to any adjustments stipulated in the By-Laws, where applicable.

DIRECTORS' REPORT (Cont'd)

EXECUTIVE SHARE OPTION SCHEME (Continued)

e) Duration and termination of the New ESOS

i. The New ESOS came into force on 28 January 2016 ("Effective Date") and shall be for a duration of five (5) years.

ii. The New ESOS may be terminated by the ESOS Committee at any time before the expiry of its duration provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:

- the effective date of termination;
- the number of options exercised or shares vested, if applicable; and
- the reasons and justification for termination.

iii. Approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of grantees who have yet to exercise their options and/or vest the unvested shares (if applicable) are not required to effect a termination of the New ESOS.

f) Exercise of option

Options are exercisable commencing from the Offer Date and expiring at the end of five (5) years from the Effective Date or in the event of a termination of the New ESOS, the date of termination of the New ESOS.

g) Ranking of the new IOI Shares

The new IOI Shares to be allotted and issued upon any exercise of the option shall, upon allotment and issuance, rank pari passu in all respects with the existing issued and paid-up IOI Shares, save and except that the holders of the new IOI Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid to the shareholders of the Company, where the record date precedes the date of allotment of the said shares. The option shall not carry any right to vote at a general meeting of the Company.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Tan Sri Dato' Lee Shin Cheng
Dato' Lee Yeow Chor
Lee Cheng Leang
Lee Yeow Seng
Tan Sri Peter Chin Fah Kui
Datuk Karownakaran @ Karunakaran a/l Ramasamy
Cheah Tek Kuang
Lim Tuang Ooi

In accordance with Article 101 of the Company's Articles of Association, Datuk Karownakaran @ Karunakaran a/l Ramasamy and Lim Tuang Ooi retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Tan Sri Dato' Lee Shin Cheng and Tan Sri Peter Chin Fah Kui who are over the age of seventy (70), retire in accordance with Section 129(2) of the Companies Act, 1965 in Malaysia at the forthcoming Annual General Meeting. The Directors recommend that they shall be re-appointed in accordance with Section 129(6) of the said Act and to hold office until the conclusion of the next Annual General Meeting of the Company.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the shares and options over ordinary shares of the Company and of its related corporations during the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia are as follows:

	As at 1 July 2015	Acquired	Disposed	As at 30 June 2016
Direct Interests				
The Company				
No. of ordinary shares of RM0.10 each				
Tan Sri Dato' Lee Shin Cheng	66,986,300	99,800[1]	–	67,086,100
Dato' Lee Yeow Chor	9,000,400	–	–	9,000,400
Lee Yeow Seng	4,180,400	–	–	4,180,400
Lee Cheng Leang	400,000	–	–	400,000
Indirect Interests				
The Company				
No. of ordinary shares of RM0.10 each				
Tan Sri Dato' Lee Shin Cheng	2,954,367,480	22,639,200[3]	(149,800)[2]	2,976,856,880
Dato' Lee Yeow Chor	2,937,625,180	22,148,200	–	2,959,773,380
Lee Yeow Seng	2,937,530,180	22,148,200	–	2,959,678,380
Tan Sri Peter Chin Fah Kui	–	20,000	–	20,000
Cheah Tek Kuang	12,000	–	–	12,000

Notes:
1 *Transfer of 99,800 shares from his daughter.*
2 *Includes the transfer of 99,800 shares and disposal of 50,000 shares by his daughter.*
3 *Includes the exercise of 491,000 share options under ESOS by his daughter.*

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS (Continued)

The movements of the options over the unissued ordinary shares of RM0.10 each in the Company granted under the ESOS to the Directors in office at the end of the financial year are as follows:

	Option price	No. of options over ordinary shares		
	RM	As at 1 July 2015	Exercised	As at 30 June 2016
Indirect Interests				
Tan Sri Dato' Lee Shin Cheng	2.03	375,800	(375,800)	–
Tan Sri Dato' Lee Shin Cheng	3.49	115,200	(115,200)	–

By virtue of Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Lee Yeow Seng's interests in the ordinary shares of the Company, they are also deemed to be interested in the shares of all the subsidiaries of the Company to the extent that the Company has an interest.

The other Directors holding office at the end of the financial year namely, Datuk Karownakaran @ Karunakaran a/l Ramasamy and Lim Tuang Ooi did not have any interest in shares and options over ordinary shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of the significant related party transactions as disclosed in Note 39 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except for the share options granted to the Directors of the Company pursuant to the Company's ESOS.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS OF THE GROUP AND OF THE COMPANY

Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that no known bad debts need to be written off and that adequate provision had been made for doubtful debts; and

ii. to ensure that any current assets, other than debts, which were unlikely to realise their book values in the ordinary course of business of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

i. which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

ii. which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

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

As at the date of this report, there does not exist:

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

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

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve (12) months after the end of the financial year, which in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION

As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

i. the results of operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

DIRECTORS' REPORT (Cont'd)

DIFFERENT FINANCIAL YEAR END OF SUBSIDIARIES

Due to local requirements, five (5) indirect subsidiaries of the Company, IOI (Xiamen) Edible Oils Co., Ltd, Loders Croklaan (Shanghai) Trading Co. Ltd, Tianjin Palmco Oil And Fats Co. Ltd, Loders Croklaan Latin America Comercio De Gorduras e Oleos Vegetais Ltda and Loders Croklaan Burkina Faso S.A.R.L. adopt a 31 December financial year end, which does not coincide with that of the Company. The Directors of the Company have been granted approvals under Section 168(3) of the Companies Act, 1965 in Malaysia by the Companies Commission of Malaysia for the aforementioned subsidiaries to have different financial year end from that of the Company for the financial year ended 30 June 2016.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Directors who serve as members of the Audit and Risk Management Committee as at the date of this report are as follows:

Datuk Karownakaran @ Karunakaran a/l Ramasamy (Chairman)
Tan Sri Peter Chin Fah Kui
Cheah Tek Kuang

NOMINATING AND REMUNERATION COMMITTEE

The Directors who serve as members of the Nominating and Remuneration Committee as at the date of this report are as follows:

Tan Sri Peter Chin Fah Kui (Chairman)
Datuk Karownakaran @ Karunakaran a/l Ramasamy
Cheah Tek Kuang

ESOS COMMITTEE

The Directors who serve as members of the ESOS Committee as at the date of this report are as follows:

Tan Sri Dato' Lee Shin Cheng (Chairman)
Dato' Lee Yeow Chor
Lee Yeow Seng

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 13 September 2016:

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Lee Yeow Chor
Chief Executive Officer

STATEMENTS OF PROFIT OR LOSS

For The Financial Year Ended 30 June 2016

In RM million	Note	Group 2016	Group 2015	Company 2016	Company 2015
Revenue	6	**11,739.3**	11,541.5	**862.9**	866.7
Cost of sales		**(9,346.9)**	(9,430.9)	**(3.4)**	(3.4)
Gross profit		**2,392.4**	2,110.6	**859.5**	863.3
Other operating income	7	**512.5**	632.1	**82.4**	144.6
Marketing and selling expenses		**(287.1)**	(249.5)	**–**	–
Administration expenses		**(449.5)**	(449.4)	**(33.8)**	(17.4)
Other operating expenses	8	**(813.2)**	(902.2)	**(78.4)**	(395.7)
Operating profit		**1,355.1**	1,141.6	**829.7**	594.8
Share of results of associates		**99.7**	104.6	**–**	–
Share of results of joint ventures		**(5.2)**	(5.8)	**–**	–
Profit before interest and taxation		**1,449.6**	1,240.4	**829.7**	594.8
Interest income	9	**53.3**	92.9	**48.1**	66.2
Finance costs	10	**(218.6)**	(281.6)	**(139.9)**	(176.8)
Net foreign currency translation loss on foreign currency denominated borrowings		**(318.5)**	(735.3)	**(112.7)**	(87.5)
Profit before taxation	11	**965.8**	316.4	**625.2**	396.7
Taxation	12	**(319.5)**	(261.6)	**(3.0)**	10.5
Profit for the financial year		**646.3**	54.8	**622.2**	407.2
Attributable to:					
Owners of the parent		**629.7**	51.9	**622.2**	407.2
Non-controlling interests		**16.6**	2.9	**–**	–
		646.3	54.8	**622.2**	407.2
Earnings per ordinary share attributable to owners of the parent (sen)	13				
Basic		**9.99**	0.82		
Diluted		**9.99**	0.82		
Gross dividend per ordinary share of RM0.10 each (sen)	14				
First interim single tier dividend		**3.5**	4.5	**3.5**	4.5
Second interim single tier dividend		**4.5**	4.5	**4.5**	4.5
Total		**8.0**	9.0	**8.0**	9.0

The notes on pages 139 to 286 form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 30 June 2016

	Group		Company	
In RM million	2016	2015	2016	2015
Profit for the financial year	**646.3**	54.8	**622.2**	407.2
Other comprehensive loss that will not be reclassified subsequently to profit or loss				
Share of other comprehensive loss of associates	**(0.3)**	–	**–**	–
Actuarial loss on defined benefit obligation	**(1.4)**	(15.2)	**–**	–
	(1.7)	(15.2)	**–**	–
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met				
Exchange differences on translation of foreign operations	**60.5**	63.6	**–**	–
Share of other comprehensive income/(loss) of associates	**18.4**	(20.9)	**–**	–
Hedge of net investments in foreign operations	**(0.7)**	–	**–**	–
	78.2	42.7	**–**	–
Other comprehensive income for the financial year, net of tax	**76.5**	27.5	**–**	–
Total comprehensive income for the financial year	**722.8**	82.3	**622.2**	407.2
Total comprehensive income attributable to:				
Owners of the parent	**709.4**	80.9	**622.2**	407.2
Non-controlling interests	**13.4**	1.4	**–**	–
	722.8	82.3	**622.2**	407.2

The notes on pages 139 to 286 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As At 30 June 2016

		Group		
In RM million	Note	30 June 2016	30 June 2015	1 July 2014
ASSETS				
Non-current assets				
Property, plant and equipment	15	**9,985.1**	9,765.5	9,645.7
Prepaid lease payments	16	**21.1**	6.7	4.0
Investment properties	17	**6.9**	7.0	8.3
Intangible assets	18	**521.7**	458.4	458.4
Investments in associates	20	**937.5**	812.7	799.4
Interests in joint ventures	21	**31.7**	35.2	33.0
Derivative assets	22	**148.3**	138.7	75.1
Deferred tax assets	23	**38.0**	53.0	50.4
		11,690.3	11,277.2	11,074.3
Current assets				
Inventories	24	**2,284.4**	2,083.1	2,154.6
Biological assets	25	**40.8**	45.2	51.2
Trade and other receivables	26	**1,191.2**	1,062.4	1,062.7
Amounts due from associates	20	**6.4**	0.5	0.4
Derivative assets	22	**232.9**	41.1	61.4
Current tax assets		**53.5**	43.3	38.5
Other investments	27	**104.2**	107.2	80.7
Short term funds	28	**1,120.1**	1,088.9	3,450.0
Deposits with financial institutions	29	**248.7**	221.4	186.8
Cash and bank balances		**569.4**	478.2	350.9
		5,851.6	5,171.3	7,437.2
Assets of disposal group held for sale	30	**14.2**	–	–
TOTAL ASSETS		**17,556.1**	16,448.5	18,511.5

The notes on pages 139 to 286 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (Cont'd)

As At 30 June 2016

In RM million	Note	Group 30 June 2016	30 June 2015	1 July 2014
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	31	**646.2**	645.9	645.0
Reserves	32	**(703.0)**	(617.0)	(510.2)
Retained earnings		**7,194.9**	7,040.1	8,052.7
		7,138.1	7,069.0	8,187.5
Non-controlling interests		**278.9**	274.1	282.5
Total equity		**7,417.0**	7,343.1	8,470.0
Liabilities				
Non-current liabilities				
Borrowings	33	**4,902.9**	5,835.9	5,069.2
Derivative liabilities	22	**13.3**	29.9	44.8
Other long term liabilities	34	**64.3**	29.4	36.3
Deferred tax liabilities	23	**1,334.2**	1,344.9	1,394.4
		6,314.7	7,240.1	6,544.7
Current liabilities				
Trade and other payables	35	**1,129.5**	833.4	866.7
Borrowings	33	**2,478.3**	812.5	2,454.3
Amounts due to associates	20	**96.7**	91.1	73.8
Derivative liabilities	22	**94.5**	123.8	58.1
Current tax liabilities		**25.4**	4.5	43.9
		3,824.4	1,865.3	3,496.8
Total liabilities		**10,139.1**	9,105.4	10,041.5
TOTAL EQUITY AND LIABILITIES		**17,556.1**	16,448.5	18,511.5

The notes on pages 139 to 286 form an integral part of the financial statements.

In RM million	Note	Company 30 June 2016	 30 June 2015	 1 July 2014
ASSETS				
Non-current assets				
Property, plant and equipment	15	**89.8**	89.4	89.2
Investments in subsidiaries	19	**7,763.8**	7,685.7	7,557.4
Investments in associates	20	**20.4**	20.4	20.4
Interests in joint ventures	21	**43.7**	42.0	34.0
Derivative assets	22	**2.2**	–	–
		7,919.9	7,837.5	7,701.0
Current assets				
Biological assets	25	**0.2**	0.2	0.2
Trade and other receivables	26	**20.3**	15.4	15.5
Amounts due from subsidiaries	19	**845.7**	933.2	2,980.8
Current tax assets		**40.1**	43.0	33.7
Other investments	27	**4.1**	4.2	4.5
Deposits with financial institutions	29	**128.6**	17.0	–
Cash and bank balances		**115.2**	112.9	39.8
		1,154.2	1,125.9	3,074.5
TOTAL ASSETS		**9,074.1**	8,963.4	10,775.5

The notes on pages 139 to 286 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION (Cont'd)

As At 30 June 2016

In RM million	Note	Company 30 June 2016	Company 30 June 2015	Company 1 July 2014
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	31	**646.2**	645.9	645.0
Reserves	32	**(625.8)**	(458.4)	(307.5)
Retained earnings		**4,935.7**	4,786.7	5,428.8
Total equity		**4,956.1**	4,974.2	5,766.3
Liabilities				
Non-current liabilities				
Borrowings	33	**1,364.7**	1,696.1	1,439.0
Derivative liabilities	22	**13.3**	26.8	40.4
Amounts due to subsidiaries	19	**601.1**	1,146.0	1,019.6
Deferred tax liabilities	23	**3.9**	3.7	3.8
		1,983.0	2,872.6	2,502.8
Current liabilities				
Trade and other payables	35	**32.9**	25.5	133.0
Borrowings	33	**799.2**	264.2	479.7
Amounts due to subsidiaries	19	**1,302.9**	826.9	1,856.2
Derivative liabilities	22	**–**	–	22.1
Current tax liabilities		**–**	–	15.4
		2,135.0	1,116.6	2,506.4
Total liabilities		**4,118.0**	3,989.2	5,009.2
TOTAL EQUITY AND LIABILITIES		**9,074.1**	8,963.4	10,775.5

The notes on pages 139 to 286 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 30 June 2016

In RM million	Share capital	Share premium	Capital reserves	Other reserve	Foreign currency translation reserve	Treasury shares	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
		Non-distributable					Distributable			
Group										
As at 1 July 2014										
As previously reported	645.0	27.6	113.7	–	(215.1)	(441.0)	5,906.6	6,036.8	196.3	6,233.1
Effect of adoption of MFRSs and Amendment to MFRSs (Note 44)	–	–	–	–	4.6	–	2,146.1	2,150.7	86.2	2,236.9
As restated	645.0	27.6	113.7	–	(210.5)	(441.0)	8,052.7	8,187.5	282.5	8,470.0
Profit for the financial year	–	–	–	–	–	–	51.9	51.9	2.9	54.8
Actuarial loss on defined benefit obligation	–	–	–	–	–	–	(15.2)	(15.2)	–	(15.2)
Exchange differences on translation of foreign operations	–	–	–	–	65.1	–	–	65.1	(1.5)	63.6
Share of other comprehensive loss of associates	–	–	–	(3.8)	(17.1)	–	–	(20.9)	–	(20.9)
Total comprehensive (loss)/income	–	–	–	(3.8)	48.0	–	36.7	80.9	1.4	82.3
Transactions with owners										
Exercise of share options	0.9	36.8	(8.5)	–	–	–	–	29.2	–	29.2
Repurchase of shares (Note 32.2)	–	–	–	–	–	(179.2)	–	(179.2)	–	(179.2)
Liquidation of a subsidiary (Note 37)	–	–	(0.1)	–	–	–	–	(0.1)	–	(0.1)
Dividends paid in respect of current financial year (Note 14)	–	–	–	–	–	–	(286.3)	(286.3)	–	(286.3)
Dividends paid in respect of previous financial year (Note 14)	–	–	–	–	–	–	(763.0)	(763.0)	–	(763.0)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(9.8)	(9.8)
As at 30 June 2015	645.9	64.4	105.1	(3.8)	(162.5)	(620.2)	7,040.1	7,069.0	274.1	7,343.1

The notes on pages 139 to 286 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

For The Financial Year Ended 30 June 2016

	Non-distributable							Distributable			
In RM million	Share capital	Share premium	Capital reserves	Other reserve	Hedging reserve	Foreign currency translation reserve	Treasury shares	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Group											
As at 1 July 2015	**645.9**	**64.4**	**105.1**	**(3.8)**	**–**	**(162.5)**	**(620.2)**	**7,040.1**	**7,069.0**	**274.1**	**7,343.1**
Profit for the financial year	–	–	–	–	–	–	–	629.7	629.7	16.6	646.3
Actuarial loss on defined benefit obligation	–	–	–	–	–	–	–	(1.4)	(1.4)	–	(1.4)
Exchange differences on translation of foreign operations	–	–	–	–	–	63.7	–	–	63.7	(3.2)	60.5
Share of other comprehensive gain/(loss) of associates	–	–	–	2.1	–	16.3	–	(0.3)	18.1	–	18.1
Hedge of net investments in foreign operations	–	–	–	–	(0.7)	–	–	–	(0.7)	–	(0.7)
Total comprehensive income/(loss)	–	–	–	2.1	(0.7)	80.0	–	628.0	709.4	13.4	722.8
Transactions with owners											
Exercise of share options	0.3	8.9	(2.2)	–	–	–	–	–	7.0	–	7.0
Repurchase of shares (Note 32.2)	–	–	–	–	–	–	(143.2)	–	(143.2)	–	(143.2)
Expiration of share options	–	–	(30.9)	–	–	–	–	30.9	–	–	–
Dividends paid in respect of current financial year (Note 14)	–	–	–	–	–	–	–	(220.5)	(220.5)	–	(220.5)
Dividends paid in respect of previous financial year (Note 14)	–	–	–	–	–	–	–	(283.6)	(283.6)	–	(283.6)
Changes in equity interest in subsidiaries	–	–	–	–	–	–	–	–	–	(1.2)	(1.2)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(7.4)	(7.4)
As at 30 June 2016	**646.2**	**73.3**	**72.0**	**(1.7)**	**(0.7)**	**(82.5)**	**(763.4)**	**7,194.9**	**7,138.1**	**278.9**	**7,417.0**

The notes on pages 139 to 286 form an integral part of the financial statements.

In RM million	Share capital	Non-distributable Share premium	Capital reserves	Treasury shares	Distributable Retained earnings	Total equity
Company						
As at 1 July 2014						
As previously reported	645.0	27.6	105.9	(441.0)	5,404.9	5,742.4
Effect of adoption of MFRSs and Amendment to MFRSs (Note 44)	–	–	–	–	23.9	23.9
As restated	645.0	27.6	105.9	(441.0)	5,428.8	5,766.3
Profit for the financial year	–	–	–	–	407.2	407.2
Total comprehensive income	–	–	–	–	407.2	407.2
Transactions with owners						
Exercise of share options	0.9	36.8	(8.5)	–	–	29.2
Repurchase of shares (Note 32.2)	–	–	–	(179.2)	–	(179.2)
Dividends paid in respect of current financial year (Note 14)	–	–	–	–	(286.3)	(286.3)
Dividends paid in respect of previous financial year (Note 14)	–	–	–	–	(763.0)	(763.0)
As at 30 June 2015	645.9	64.4	97.4	(620.2)	4,786.7	4,974.2
As at 1 July 2015	**645.9**	**64.4**	**97.4**	**(620.2)**	**4,786.7**	**4,974.2**
Profit for the financial year	**–**	**–**	**–**	**–**	**622.2**	**622.2**
Total comprehensive income	**–**	**–**	**–**	**–**	**622.2**	**622.2**
Transactions with owners						
Expiration of share options	**–**	**–**	**(30.9)**	**–**	**30.9**	**–**
Exercise of share options	**0.3**	**8.9**	**(2.2)**	**–**	**–**	**7.0**
Repurchase of shares (Note 32.2)	**–**	**–**	**–**	**(143.2)**	**–**	**(143.2)**
Dividends paid in respect of current financial year (Note 14)	**–**	**–**	**–**	**–**	**(220.5)**	**(220.5)**
Dividends paid in respect of previous financial year (Note 14)	**–**	**–**	**–**	**–**	**(283.6)**	**(283.6)**
As at 30 June 2016	**646.2**	**73.3**	**64.3**	**(763.4)**	**4,935.7**	**4,956.1**

The notes on pages 139 to 286 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 30 June 2016

In RM million	Note	Group 2016	Group 2015	Company 2016	Company 2015
Cash Flows From Operating Activities					
Profit before taxation		**965.8**	316.4	**625.2**	396.7
Adjustments for:					
Depreciation of property, plant and equipment	15	**457.8**	439.7	**1.4**	1.2
Net foreign currency translation loss on foreign currency denominated borrowings		**318.5**	735.3	**112.7**	87.5
Finance costs		**218.6**	281.6	**139.9**	176.8
Net unrealised foreign currency translation loss		**61.3**	26.5	**20.6**	71.4
Retirement benefits expenses	34.1	**32.1**	13.8	**–**	–
Property, plant and equipment written off	15	**24.5**	3.3	**–**	–
Net inventories written down to net realisable values		**11.9**	6.4	**–**	–
Loss arising from acquisition of interest in an associate		**5.3**	1.8	**–**	–
Share of results of joint ventures		**5.2**	5.8	**–**	–
Net loss arising from changes in fair value of biological assets		**4.4**	6.0	**–**	–
Impairment losses on receivables		**2.9**	0.6	**–**	–
Net fair value loss/(gain) on other investments		**2.8**	11.8	**(0.3)**	0.3
Amortisation of intangible assets	18.2	**1.6**	–	**–**	–
Amortisation of prepaid lease payments	16	**0.2**	–	**–**	–
Depreciation of investment properties	17	**0.1**	–	**–**	–
Net (gain)/loss on disposal of property, plant and equipment		**(0.2)**	(0.5)	**0.2**	(0.1)
Impairment losses on receivables written back		**(0.3)**	(1.2)	**–**	–
Dividend income from other investments		**(3.0)**	(2.5)	**(0.1)**	(0.1)
Interest income		**(53.3)**	(92.9)	**(48.1)**	(66.2)
Share of results of associates		**(99.7)**	(104.6)	**–**	–
Net fair value (gain)/loss on derivative financial instruments		**(120.6)**	110.8	**–**	–
Loss on repayment of term loan		**–**	8.1	**–**	6.0
Gain on liquidation of a subsidiary	37	**–**	(0.1)	**–**	–
Gain on disposal of investment properties		**–**	(0.3)	**–**	–
Gain on disposal of land from compulsory acquisition		**–**	(39.0)	**–**	(1.6)
Dividend income from subsidiaries		**–**	–	**(804.7)**	(857.9)
Dividend income from associates		**–**	–	**–**	(3.0)
Waiver of debt by a subsidiary		**–**	–	**–**	(76.2)
Operating profit/(loss) before working capital changes		**1,835.9**	1,726.8	**46.8**	(265.2)

The notes on pages 139 to 286 form an integral part of the financial statements.

In RM million	Note	Group 2016	Group 2015	Company 2016	Company 2015
Cash Flows From Operating Activities (Continued)					
Operating profit/(loss) before working capital changes		**1,835.9**	1,726.8	**46.8**	(265.2)
Increase in trade payables		**270.8**	7.5	**–**	–
(Increase)/decrease in inventories		**(8.7)**	20.9	**–**	–
(Increase)/decrease in trade receivables		**(19.4)**	142.9	**–**	–
(Decrease)/increase in other payables and accruals		**(46.6)**	46.9	**7.4**	(107.5)
(Increase)/decrease in other receivables, deposits and prepayments		**(67.2)**	(75.0)	**(4.9)**	1.4
Cash generated from/(used in) operations		**1,964.8**	1,870.0	**49.3**	(371.3)
Tax refunded		**11.5**	1.9	**3.1**	–
Retirement benefits paid	34.1	**(0.8)**	(2.1)	**–**	–
Retirement benefits contributed	34.1	**(26.7)**	(36.4)	**–**	–
Tax paid		**(316.8)**	(386.4)	**(3.0)**	(14.3)
Net cash from/(used in) operating activities		**1,632.0**	1,447.0	**49.4**	(385.6)
Cash Flows From Investing Activities					
Interest received		**52.0**	93.1	**2.6**	1.3
Dividends received from associates		**33.4**	52.8	**–**	3.0
Proceeds from disposal of property, plant and equipment		**5.8**	2.2	**0.5**	0.1
Dividends received from other investments		**3.0**	2.5	**0.1**	0.1
Proceeds from disposal of other investments		**0.3**	–	**0.4**	–
Acquisitions of additional interest in subsidiary		**(1.2)**	–	**(1.2)**	–
Addition to associates		**(10.7)**	(8.6)	**–**	–
Additions to prepaid lease payments		**(14.8)**	(2.5)	**–**	–
Acquisition of oleochemicals business, net of cash and cash equivalents acquired	36	**(412.4)**	–	**–**	–
Additions to property, plant and equipment	15	**(458.6)**	(548.5)	**(2.5)**	(1.9)
Proceeds from disposal of land from compulsory acquisition		**–**	46.8	**–**	2.1
Advances from associates		**–**	14.0	**–**	–
Proceeds from disposal of investment properties		**–**	1.6	**–**	–
Advances to joint ventures		**–**	(8.0)	**–**	(8.0)
Additions to other investments		**–**	(38.0)	**–**	–
Dividends received from subsidiaries		**–**	–	**804.7**	857.9
Redemption of preference shares		**–**	–	**0.6**	–
Payment (to)/advances from subsidiaries		**–**	–	**(54.5)**	1,242.9
Investment in subsidiaries		**–**	–	**(77.5)**	(128.3)
Net cash (used in)/from investing activities		**(803.2)**	(392.6)	**673.2**	1,969.2

The notes on pages 139 to 286 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (Cont'd)

For The Financial Year Ended 30 June 2016

		Group		Company	
In RM million	Note	2016	2015	2016	2015
Cash Flows From Financing Activities					
Drawdown of term loans		**327.7**	2,229.9	**–**	1,618.7
Net drawdown of short term borrowings		**53.4**	373.3	**74.4**	258.7
Proceeds from issuance of shares		**7.0**	29.2	**7.0**	29.2
Dividends paid to non-controlling interests		**(7.4)**	(9.8)	**–**	–
Repurchase of shares	32.2	**(143.2)**	(179.2)	**(143.2)**	(179.2)
Repayments of term loans		**(194.8)**	(2,729.0)	**–**	(2,117.8)
Finance costs paid		**(217.4)**	(314.1)	**(42.8)**	(53.8)
Dividends paid	14	**(504.1)**	(1,049.3)	**(504.1)**	(1,049.3)
Redemption of Guaranteed Notes		**–**	(1,607.1)	**–**	–
Net cash used in financing activities		**(678.8)**	(3,256.1)	**(608.7)**	(1,493.5)
Net increase/(decrease) in cash and cash equivalents		**150.0**	(2,201.7)	**113.9**	90.1
Cash and cash equivalents at beginning of financial year		**1,788.5**	3,987.7	**129.9**	39.8
Effect of exchange rate changes		**(0.3)**	2.5	**–**	–
Cash and cash equivalents at end of financial year	38	**1,938.2**	1,788.5	**243.8**	129.9

The notes on pages 139 to 286 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries, associates and joint ventures are set out in Note 45 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

These are the Group and the Company's first financial statements prepared in accordance with MFRSs and IFRSs. In addition to that, the Group and Company has also early adopted the Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants* which is effective for annual periods beginning on or after 1 January 2016.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. As required by MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2014 and throughout all financial years presented, as if these policies had always been in effect. Comparative information for the financial year ended 30 June 2015 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRSs in Malaysia to MFRSs are disclosed in Note 44 to the financial statements.

Notwithstanding the above, Note 47 to the financial statements has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

2.2 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 4 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

2.3 Presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency and all financial information presented in RM are rounded to the nearest million, except where otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

3.1 New MFRSs adopted during the current financial year

Title
MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*
MFRS 2 *Share-based Payment*
MFRS 3 *Business Combinations*
MFRS 4 *Insurance Contracts*
MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
MFRS 6 *Exploration for and Evaluation of Mineral Resources*
MFRS 7 *Financial Instruments: Disclosures*
MFRS 8 *Operating Segments*
MFRS 10 *Consolidated Financial Statements*
MFRS 11 *Joint Arrangements*
MFRS 12 *Disclosure of Interests in Other Entities*
MFRS 13 *Fair Value Measurement*
MFRS 14 *Regulatory Deferral Accounts*
MFRS 101 *Presentation of Financial Statements*
MFRS 102 *Inventories*
MFRS 107 *Statement of Cash Flows*
MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
MFRS 110 *Events After the Reporting Period*
MFRS 112 *Income Taxes*
MFRS 116 *Property, Plant and Equipment*
MFRS 117 *Leases*
MFRS 118 *Revenue*
MFRS 119 *Employee Benefits*
MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*
MFRS 121 *The Effects of Changes in Foreign Exchange Rates*
MFRS 123 *Borrowing Costs*
MFRS 124 *Related Party Disclosures*
MFRS 126 *Accounting and Reporting by Retirement Benefit Plans*
MFRS 128 *Investments in Associates and Joint Ventures*
MFRS 129 *Financial Reporting in Hyperinflationary Economies*
MFRS 132 *Financial Instruments: Presentation*
MFRS 133 *Earnings Per Share*
MFRS 134 *Interim Financial Reporting*
MFRS 136 *Impairment of Assets*

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

3.1 New MFRSs adopted during the current financial year (Continued)

Title
MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
MFRS 138 *Intangible Assets*
MFRS 139 *Financial Instruments: Recognition and Measurement*
MFRS 140 *Investment Property*
MFRS 141 *Agriculture*
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*
IC Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
IC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*
IC Interpretation 4 *Determining whether an Arrangement Contains a Lease*
IC Interpretation 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
IC Interpretation 6 *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
IC Interpretation 7 *Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies*
IC Interpretation 9 *Reassessment of Embedded Derivatives*
IC Interpretation 10 *Interim Financial Reporting and Impairment*
IC Interpretation 12 *Service Concession Arrangements*
IC Interpretation 13 *Customer Loyalty Programmes*
IC Interpretation 14 *MFRS 119 Employee Benefits – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
IC Interpretation 15 *Agreements for the Construction of Real Estate*
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
IC Interpretation 17 *Distributions of Non-cash Assets to Owners*
IC Interpretation 18 *Transfers of Assets from Customers*
IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
IC Interpretation 21 *Levies*
IC Interpretation 107 *Introduction of the Euro*
IC Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities*
IC Interpretation 115 *Operating Leases – Incentives*
IC Interpretation 125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*
IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*
IC Interpretation 129 *Service Concession Arrangements: Disclosures*
IC Interpretation 132 *Intangible Assets – Web Site Costs*

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

3.2 New MFRSs that have been issued, but not yet effective and not yet adopted

Title	Effective Date
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 116 *Property, plant and equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 127 *Equity method in Separate Financial Statements*	1 January 2016
Amendments to MFRS 138 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures*	Deferred

The Group is in the process of assessing the impact of the adoption of these MFRSs and Amendments to MFRSs since the effects would only be observable in future financial years.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors are of the opinion that there are no material changes in estimates during the financial year, which would have a significant financial impact on the financial statements.

4.2 Key sources of estimation uncertainty

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

4.2.1 Impairment of goodwill on consolidation

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the Cash-generating Units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in Note 18.1 to the financial statements.

4.2.2 Deferred tax assets

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Basis of Consolidation

5.1.1 Business Combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

i. deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

ii. liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

iii. assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 Basis of Consolidation (Continued)

5.1.1 Business Combinations (Continued)

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

i. if the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity; and

ii. subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets on the acquisition date.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 5.10.1 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 July 2014. Goodwill represents the amount recognised under the previous FRS Framework in respect of acquisitions prior to 1 July 2014.

5.1.2 Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including rights arising from contractual arrangement and potential voting rights.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 Basis of Consolidation (Continued)

5.1.2 Subsidiaries (Continued)

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses, if any. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the reporting period, using consistent accounting policies.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstance, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Non-controlling interests represent the equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at either fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

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

If the Group loses control of a subsidiary as a result of a transaction, event or other circumstance, profit or loss on disposal is calculated as the difference between:

i. the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 Basis of Consolidation (Continued)

5.1.2 Subsidiaries (Continued)

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

5.1.3 Associates

Associates are entities in which the Group and the Company have significant influence and that are neither subsidiaries nor interest in joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investees but is not control or jointly control over those policies.

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting based on the latest financial statements of the associates concerned, from the date significant influence commences until the date the Group ceases to have significant influence over the associates. The investments in associates in the consolidated statement of financial position are initially recognised at cost and adjusted thereafter for the post acquisition changes in the Group's share of net assets of the investments.

The interest in associates is the carrying amount of the investments in associates under the equity method together with any long-term interest that, in substance, form part of the Group's net interest in the associates.

The excess of the cost of investment over the Group's share of the fair value of the associates' identifiable assets, liabilities and contingent liabilities at the date of acquisition represents goodwill. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the Group's share of the fair values of the associates' identifiable assets, liabilities and contingent liabilities over the cost of investment at the date of acquisition is recognised in consolidated profit or loss.

The Group's share of results of the associates during the financial year is recognised in consolidated profit or loss, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associates would reduce the carrying amount of the investments. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign currency translation differences. The Group's share of those changes is recognised directly in equity of the Group.

When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 Basis of Consolidation (Continued)

5.1.3 Associates (Continued)

The most recent available financial statements of the associates are used by the Group in applying the equity method. Where the reporting period of the financial statements are not coterminous, the share of results is arrived at using the latest financial statements for which the difference in reporting period is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

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

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

5.1.4 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

A joint arrangement classified as joint operations when the Group and the Company have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group and the Company recognise its share of assets, liabilities, revenue and expenses of the joint arrangement in relation to its interest in a joint operation.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint operation that is attributable to the other parties. The Group does not recognise its share of profits or losses from the joint operation that result from the purchase of assets by the Group from the joint operation until it resells the assets to an independent party.

A joint arrangement classified as joint venture when the Group and the Company have rights to the net assets of the arrangement. In the Company's separate financial statements, an investment in a joint venture is stated at cost less impairment losses, if any.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 Basis of Consolidation (Continued)

5.1.4 Joint arrangements (Continued)

Joint arrangements are accounted for in the consolidated financial statements using the equity method in accordance with MFRS 128 *Investment in Associates and Joint Ventures*. The consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint arrangements, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

5.1.5 Transactions eliminated on consolidation

Intragroup transactions and balances and the resulting unrealised gains are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

Unrealised profits arising on transactions between the Group and its associates and joint ventures, which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates and joint ventures. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

5.2 Foreign Currency

5.2.1 Functional and presentation currency

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

5.2.2 Foreign currency translation and balances

Transactions in foreign currencies are converted into the relevant functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into the relevant functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise except for financial liability designated as a hedge of the net investments in foreign operations to the extent that the hedge is effective. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as at the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

5.2.3 Foreign operations

Financial statements of foreign operations are translated at the end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.2 Foreign Currency (Continued)

5.2.3 Foreign operations (Continued)

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment. When a foreign operation is partially disposed off or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of the reporting period.

5.3 Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that future economic benefits associated with the cost will flow to the Group and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. The cost of the day-to-day servicing of property, plant and equipment are charged to profit or loss during the financial year in which they are incurred.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and which have different useful lives, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

Construction in progress is not depreciated until such time when the asset is available for use.

Bearer plants are living plant that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce, except for incidental scrap sales. The bearer plants that are available for use are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. Bearer plants have an average life cycle of twenty-five (25) years with the first three (3) years as immature bearer plants and the remaining years as mature bearer plants. The mature bearer plants are depreciated over its remaining useful lives of twenty-two (22) years on a straight-line basis. The immature bearer plants are not depreciated until such time when it is available for use.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.3 Property, Plant and Equipment and Depreciation (Continued)

Other property, plant and equipment are depreciated on a straight-line basis so as to write off the cost of the assets over their estimated useful lives. The principal depreciation periods and annual rates are as follows:

Long term leasehold land	over the lease period of up to 99 years
Plantation infrastructures	over the period of 25 years
Buildings and improvements	2% – 10%
Plant and machinery	4% – 20%
Motor vehicles	10% – 20%
Furniture, fittings and equipment	5% – 33%

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The estimates of the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors. The Group anticipates that the residual values of its property, plant and equipment will be insignificant.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is recognised in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in profit or loss.

5.4 Biological Assets

Produce growing on bearer plants

Produce growing on bearer plants are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell of produce growing on bearer plants are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the produce growing on bearer plants. The expected net cash flows are estimated using expected output method and the estimated market price of the produce growing on bearer plants.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.5 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

5.6 Leases

5.6.1 Finance leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Assets acquired under finance leases are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations, net of finance charges, are included in borrowings. The property, plant and equipment capitalised are depreciated on the same basis as owned assets as disclosed in Note 5.3 to the financial statements.

The minimum lease payments are allocated between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining finance lease obligations.

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease are considered separately for the purpose of lease classification. All leases that do not transfer substantially all the risks and the rewards are classified as operating leases other than the following:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

5.6.2 Operating lease – the Group as lessee

Leases of assets under which all the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.6 Leases (Continued)

5.6.3 Lease of land and building

The minimum lease payments including lump-sum upfront payments made to acquire the interest in the land and building are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element at the inception of the lease.

The lump-sum upfront lease payments made represent prepaid lease payments and are amortised over the lease term on a straight-line basis.

For leases of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the building is regarded as the economic life of the entire leased asset.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

5.7 Investment Properties

Investment properties are properties, which are held either to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measure at cost, including transaction costs. Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day maintenance of investment properties are recognised in profit or loss as incurred.

After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is calculated to write off the cost of the investment properties to their residual values on a straight-line basis over their estimated useful lives. The principal depreciation periods for the investment properties is as follows:

Buildings	50 years

At the end of each reporting period, the carrying amount of an item of the investment properties are assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Properties that are occupied by companies in the Group are accounted for as owner-occupied rather than as investment properties in the consolidated financial statements.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.8 Inventories

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

Cost is determined on a weighted average basis. Cost comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition. The cost of produce and finished goods includes the cost of raw materials, direct labour and a proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

5.9 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments and short term funds with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

5.10 Intangible Assets

5.10.1 Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the Group's share of the net fair value of net assets of the associates' identifiable assets and liabilities at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.10 Intangible Assets (Continued)

5.10.2 Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

Other intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful lives of other intangible assets are assessed to be either finite or indefinite.

Other intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives. The estimated useful lives are as follows:

Brand names	12 years

Other intangible assets are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

The carrying amount of an item of intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is recognised in profit or loss.

5.11 Impairment of non-financial assets

The carrying amounts of assets, other than inventories, deferred tax assets, assets arising from employee benefits, investment properties, non-current assets (or disposal groups) held for sale and financial assets (other than investments in subsidiaries, associates and joint ventures) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such indication exists, impairment is measured by comparing the carrying value of the assets with their recoverable amounts.

For goodwill, the recoverable amount is estimated at the end of each reporting period or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the Cash-generating Unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of the CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.11 Impairment of non-financial assets (Continued)

Recoverable amount is the higher of net selling price and value-in-use, which is measured by reference to discounted future cash flows. In estimating value-in-use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it will be charged to equity.

Impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

5.12 Financial Instruments

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

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.12 Financial Instruments (Continued)

5.12.1 Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as fair value through profit or loss exclude interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

Financial assets classified as financial assets at fair value through profit or loss include short term investment and short term funds.

ii. Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

iii. Loans and receivables

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.12 Financial Instruments (Continued)

5.12.1 Financial assets (Continued)

iv. Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

5.12.2 Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

i. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss.

ii. Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as fair value through profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.12 Financial Instruments (Continued)

5.12.2 Financial liabilities (Continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or is cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

All financial liabilities of the Group are measured at amortised cost except for financial liabilities at fair value through profit or loss, which are held for trading (including derivatives) or designated at fair value through profit or loss upon initial recognition.

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

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

At the end of every reporting period, the Group shall assess whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

5.12.3 Equity instruments

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

Ordinary shares are classified as equity and are recorded at the their nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon approval by shareholders in a general meeting.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction, which would otherwise have been avoided.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.12 Financial Instruments (Continued)

5.12.3 Equity instruments (Continued)

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

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs, is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

5.12.4 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. Any gains or losses arising from changes in the fair value of these contracts except for derivative designated as a hedging instrument are recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge its net investment in foreign operations.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

5.12.5 Hedge of net investment in foreign operation

Hedge of net investment in foreign operation are hedges against the exposure to exchange rate fluctuations on the net asset of the Group's foreign operations. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the hedging reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is reclassified to profit or loss.

5.13 Impairment of Financial Assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

i. Held-to-maturity investments and loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on held-to-maturity investments and loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.13 Impairment of Financial Assets (Continued)

i. Held-to-maturity investments and loans and receivables (Continued)

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

The carrying amount of held-to-maturity investments is directly reduced by the impairment loss whilst the carrying amount of loans and receivables are reduced through the use of an allowance account.

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

ii. Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in subsequent periods. Instead, any increase in fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

5.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.15 Contingent Liabilities and Contingent Assets

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 extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset 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. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair values at the acquisition dates.

5.16 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits associated with the transaction will flow to the entities and the amount of the revenue can be measured reliably.

5.16.1 Commodities, other products and services

Revenue is recognised upon delivery of products and customer acceptance, if any, or performance of services, net of discounts.

5.16.2 Dividend income

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

5.16.3 Rental income

Rental income from investment properties is recognised based on the accruals basis.

5.16.4 Interest income

Interest income is recognised in profit or loss as it accrues.

5.16.5 Management fees

Management fees are recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.17 Employee Benefits

5.17.1 Short term employee benefits

Wages, salaries, other monetary and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive, obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

5.17.2 Retirement benefits

The Group has various retirement benefit plans in accordance with local conditions and practices in the countries in which it operates. These benefit plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines the amount of pension benefit to be provided, usually as a function of one or more factors such as age and years of service.

5.17.2.1 Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. Contributions to defined contribution plans are recognised as an expense in the period in which the employees render their services. Once the contributions have been paid, the Group has no further payment obligations.

5.17.2.2 Defined benefit plans

The Group operates various defined benefit plans for eligible employees of the Group. The amount recognised as a liability in respect of the defined benefit plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets.

The Group determines the present value of the defined benefit obligations and the fair value of the plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

The present value of the defined benefit obligations and the related current service cost and past service cost are determined using the projected unit credit method by an actuary. The rate used to discount the obligations is based on market yields at the end of the reporting period for high quality corporate bonds or government bonds.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.17 Employee Benefits (Continued)

5.17.2 Retirement benefits (Continued)

5.17.2.2 Defined benefit plans (Continued)

Remeasurement of the net defined obligation which comprise actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets are recognised directly within equity in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

In measuring its defined benefit liability, the Group recognises past service cost as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, the defined benefit plan, the Group recognises past service cost immediately in profit or loss.

Net interest is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of contributions and benefit payment during the reporting period. Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

If the Group has an unconditional right to a refund during the life of the plan, it would recognise an asset measured as the amount of the surplus at the reporting date that it has a right to receive a refund which would be the fair value of the plan assets less the present value of the defined benefits obligation, less any associated costs, such as taxes. If the amount of a refund is determined as the full amount or a proportion of the surplus, rather than a fixed amount, the Group would make no adjustment for the time value of money, even if the refund is realisable only at a future date.

If there is no minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions is the present value of future service cost to the entity for each period over the shorter of the expected life of the plan and the expected life of the entity. The Group would assume that there would be no change to the benefits provided by a plan in the future until the plan is amended and a stable workforce unless it is demonstrably committed at the reporting dates to make a reduction in the number of employees covered by the plan.

5.17.3 Equity compensation benefits

The Group operates equity-settled share-based compensation plans, allowing certain employees of the Group to acquire ordinary share of the Company at pre-determined prices. The compensation expense relating to share options is now recognised within staff costs in profit or loss over the vesting periods of the grants with a corresponding increase in equity.

The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. The fair value of the share options is computed using a binomial options pricing model performed by an actuary.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in capital reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.17 Employee Benefits (Continued)

5.17.3 Equity compensation benefits (Continued)

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

In the event that modification increases the fair value of the equity instruments granted, measured immediately before and after the modification, the Group includes the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately.

If the Group modifies the terms and conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employees, the Group continues to account for the revised services received as consideration for the equity instruments granted as if that modification had not occurred, other than a cancellation of some or all of the equity instruments granted.

5.18 Income Taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries, associates or joint ventures on distributions to the Group and Company, and real property gains taxes, if any.

Taxation in profit or loss comprises current and deferred tax.

5.18.1 Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxes payable on disposal of properties.

5.18.2 Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.18 Income Taxes (Continued)

5.18.2 Deferred tax (Continued)

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

i. the same taxable entity; or

ii. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government which have the substantive effect of actual enactment by the end of the reporting period.

5.19 Non-current Assets (or Disposal Groups) Held For Sale

5.19.1 Non-current Assets (or Disposal Groups) Held For Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. However, an extension of the period required to complete the sale does not preclude the assets (or disposal groups) from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the assets (or disposal groups).

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale or otherwise.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss as an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.19 Non-current Assets (or Disposal Groups) Held For Sale (Continued)

5.19.1 Non-current Assets (or Disposal Groups) Held For Sale (Continued)

The Group measures a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

Non-current assets (or disposal groups) held for sale are classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal groups) on the face of the statement of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset (or disposal group) classified as held for sale is presented separately.

If the Group has classified an asset (or disposal group) as held for sale but subsequently the criteria for classification is no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale. The Group shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

i. its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and

ii. its recoverable amount at the date of the subsequent decision not to sell.

5.19.2 Discontinued operations

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative period.

5.20 Earnings Per Share

The Group presents basic and diluted earnings per shares ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting profit and loss attributable to owners of the parent and weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares.

5.21 Operating Segments

Operating segments are defined as components of the Group that:

i. engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

ii. whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

iii. for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.21 Operating Segments (Continued)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

i. The reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.

ii. The absolute amount of reported profit or loss is ten (10) per cent or more, in absolute terms of the greater of:
   - the combined reported profit of all operating segments that did not report a loss; and
   - the combined reported loss of all operating segments that reported a loss.

iii. The assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior year's segment data for comparative purposes.

5.22 Fair value measurements

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

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group considers the following characteristics when determining fair value:

i. the condition and location of the asset; and

ii. restrictions, if any, on the sale or use of the asset.

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

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

i. a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

ii. an entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.22 Fair value measurements (Continued)

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

6. REVENUE

	Group		Company	
In RM million	**2016**	**2015**	**2016**	**2015**
Sales of plantation produce and related products	**167.1**	185.8	**6.1**	5.7
Resource-based manufacturing	**11,551.3**	11,337.8	**–**	–
Dividend income	**3.0**	2.5	**804.8**	861.0
Others	**17.9**	15.4	**52.0**	–
	11,739.3	11,541.5	**862.9**	866.7

7. OTHER OPERATING INCOME

	Group		Company	
In RM million	2016	2015	2016	2015
Fair value gain on derivative financial instruments	**200.2**	31.8	**–**	–
Fair value gain on other investments	**4.1**	0.2	**0.3**	–
Fair value gain on short term funds	**2.0**	6.8	**–**	–
Foreign currency translation gain				
– Realised	**37.2**	122.5	**32.5**	–
– Unrealised	**26.0**	198.4	**42.1**	61.3
Gain on disposal of investment properties	**–**	0.3	**–**	–
Gain on disposal of land from compulsory acquisition	**–**	39.0	**–**	1.6
Gain on disposal of property, plant and equipment	**0.7**	0.8	**–**	0.1
Gain on liquidation of a subsidiary	**–**	0.1	**–**	–
Realised fair value gain on derivative financial instruments	**186.8**	189.8	**–**	–
Waiver of debt by a subsidiary	**–**	–	**–**	76.2
Others	**55.5**	42.4	**7.5**	5.4
	512.5	632.1	**82.4**	144.6

8. OTHER OPERATING EXPENSES

	Group		Company	
In RM million	2016	2015	2016	2015
Depreciation of investment properties	**0.1**	–	**–**	–
Depreciation of property, plant and equipment	**136.3**	105.8	**0.7**	0.5
Fair value loss on derivative financial instruments	**79.6**	142.6	**–**	–
Fair value loss on other investments	**6.9**	12.0	**–**	0.3
Fair value loss on short term funds	**0.1**	3.1	**–**	–
Foreign currency translation loss				
– Realised	**167.8**	78.8	**8.1**	249.5
– Unrealised	**87.3**	224.9	**62.7**	132.7
Impairment losses on receivables	**2.9**	0.6	**–**	–
Loss arising from acquisition of interest in an associate	**5.3**	1.8	**–**	–
Loss on disposal of property, plant and equipment	**0.5**	0.3	**0.2**	–
Loss on repayment on term loan	**–**	8.1	**–**	6.0
Net loss arising from changes in fair value of biological assets	**4.4**	6.0	**–**	–
Property, plant and equipment written off	**18.3**	3.1	**–**	–
Realised fair value loss on derivative financial instruments	**263.0**	279.9	**–**	–
Rental expenses	**10.0**	13.9	**–**	–
Research and development expenses	**6.4**	4.9	**–**	–
Others	**24.3**	16.4	**6.7**	6.7
	813.2	902.2	**78.4**	395.7

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. INTEREST INCOME

In RM million	Group 2016	Group 2015	Company 2016	Company 2015
Short term funds	**36.7**	79.5	**–**	–
Short term deposits	**13.9**	13.4	**1.1**	0.9
Subsidiaries	**–**	–	**44.3**	65.3
Others	**2.7**	–	**2.7**	–
	53.3	92.9	**48.1**	66.2

10. FINANCE COSTS

In RM million	Group 2016	Group 2015	Company 2016	Company 2015
Interest expenses				
Term loans	**44.8**	96.4	**–**	46.4
Guaranteed Notes	**–**	62.4	**–**	–
Notes	**99.5**	93.3	**–**	–
Short term loans	**5.8**	6.3	**–**	–
Subsidiaries	**–**	–	**93.0**	121.1
Associates	**4.3**	5.7	**–**	–
Others	**3.1**	6.4	**0.8**	1.9
	157.5	270.5	**93.8**	169.4
Profit payment on Islamic financing	**61.3**	11.3	**46.1**	7.4
Total finance costs	**218.8**	281.8	**139.9**	176.8
Less: Interest capitalised (Note 15)	**(0.2)**	(0.2)	**–**	–
Net finance costs	**218.6**	281.6	**139.9**	176.8

11. PROFIT BEFORE TAXATION

In RM million	Group 2016	Group 2015	Company 2016	Company 2015
a) Other than those disclosed in Note 7 and Note 8, profit before taxation has been arrived at after charging:				
Amortisation of prepaid lease payments (Note 16)	**0.2**	–	**–**	–
Amortisation of intangible assets (Note 18.2)	**1.6**	–	**–**	–
Auditors' remuneration				
BDO and affiliates				
Statutory audit	**1.0**	1.1	**0.1**	0.1
Non-statutory audit				
– tax compliance and advisory services	**0.3**	0.3	**–**	–
Member firms of BDO International				
Statutory audit	**1.2**	1.2	**–**	–
Other auditors				
Statutory audit	**0.8**	0.5	**–**	–
Depreciation of property, plant and equipment (Note 15)	**457.8**	439.7	**1.4**	1.2
Net foreign currency translation loss on foreign currency denominated borrowings	**318.5**	735.3	**112.7**	87.5
Hire of plant and machinery	**8.9**	9.5	**–**	–
Inventories written down to net realisable values	**18.6**	10.7	**–**	–
Property, plant and equipment written off	**24.5**	3.3	**–**	–
Lease of land	**2.2**	1.6	**–**	–
Rental of premises	**5.0**	2.9	**–**	–
Research and development expenses	**18.2**	13.6	**–**	–
and crediting:				
Reversal of inventories written down to net realisable values	**6.7**	4.3	**–**	–
Gross dividends received from:				
– other quoted investments in Malaysia	**2.6**	1.7	**0.1**	0.1
– other unquoted investments in Malaysia	**0.4**	0.8	**–**	–
– unquoted subsidiaries	**–**	–	**804.7**	857.9
– unquoted associates	**–**	–	**–**	3.0
Impairment losses on receivables written back	**0.3**	1.2	**–**	–
Rental income from:				
– investment properties	**0.4**	0.4	**–**	–
– plant and machinery	**–**	0.1	**–**	–
– storage tank	**7.4**	7.2	**–**	–
– others	**1.5**	1.6	**–**	–

Cost of inventories of the Group recognised as an expense during the financial year amounted to RM4,451.8 million (2015 – RM4,548.4 million).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. PROFIT BEFORE TAXATION (Continued)

b) Employee information

The employee benefits costs are as follows:

In RM million	Group 2016	Group 2015	Company 2016	Company 2015
Wages, salaries and others	**837.2**	809.8	**27.9**	12.5
Post employment benefits	**28.1**	25.9	**3.2**	1.5
Retirement benefits expenses (Note 34.1)	**32.1**	13.8	**–**	–
	897.4	849.5	**31.1**	14.0

12. TAXATION

In RM million	Group 2016	Group 2015	Company 2016	Company 2015
Current year				
Malaysian income taxation	**268.0**	307.5	**2.8**	7.2
Foreign taxation	**51.6**	27.1	**–**	–
Deferred taxation (Note 23)	**7.2**	(38.8)	**0.2**	(0.1)
	326.8	295.8	**3.0**	7.1
Prior years				
Malaysian income taxation	**(3.5)**	(19.8)	**–**	(17.6)
Foreign taxation	**–**	(0.3)	**–**	–
Deferred taxation (Note 23)	**(3.8)**	(14.1)	**–**	–
	(7.3)	(34.2)	**–**	(17.6)
	319.5	261.6	**3.0**	(10.5)

12. TAXATION (Continued)

A numerical reconciliation between average effective tax rate and applicable tax rate of the Group and of the Company is as follows:

	Group		Company	
%	**2016**	**2015**	**2016**	**2015**
Applicable tax rate	**24.00**	25.00	**24.00**	25.00
Tax effects in respect of:				
Non allowable expenses	**13.85**	130.17	**12.56**	37.83
Non-taxable income	**(0.82)**	(47.24)	**(5.53)**	(7.16)
Revenue expenses capitalised	**–**	(0.06)	**–**	–
Tax exempt income	**(1.08)**	(3.99)	**(30.89)**	(54.23)
Tax incentives and allowances	**(0.55)**	(1.78)	**–**	–
Utilisation of previously unrecognised tax losses and capital allowances	**(0.01)**	(3.44)	**–**	–
Deferred tax assets not recognised	**1.04**	4.22	**–**	–
Different tax rates in foreign jurisdiction	**0.01**	1.55	**–**	–
Share of post-tax results of associates	**(2.48)**	(8.27)	**–**	–
Share of post-tax results of joint ventures	**0.13**	0.46	**–**	–
Effect of changes in tax rates on deferred tax	**–**	(1.47)	**–**	–
Other items	**(0.25)**	(1.66)	**0.34**	0.35
	33.84	93.49	**0.48**	1.79
Over provision in prior years	**(0.76)**	(10.81)	**–**	(4.44)
	33.08	82.68	**0.48**	(2.65)

The amount of tax savings arising from the utilisation of brought forward unutilised tax losses of the Group amounted to approximately RM0.1 million (2015 – RM10.9 million).

Subject to agreement with the tax authorities, certain subsidiaries of the Group have unutilised tax losses of approximately RM106.9 million (2015 – RM63.0 million), for which the related tax effects have not been recognised in the financial statements. These losses are available to be carried forward for set off against future chargeable income when these subsidiaries derive future assessable income of a nature and amount sufficient for the tax losses to be utilised.

Malaysian income tax is calculated at the statutory rate of 24% (2015 – 25%) of the estimated assessable income for the year. Deferred tax is calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share of the Group is calculated based on the profit for the financial year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the financial year, after taking into consideration of treasury shares held by the Company.

	Group	
	2016	**2015**
In RM million		
Profit for the financial year attributable to owners of the parent	**629.7**	51.9
In million		
Weighted average number of ordinary shares of RM0.10 each in issue after deducting the treasury shares	**6,303.5**	6,357.7
In sen		
Basic earnings per ordinary share	**9.99**	0.82

Diluted earnings per ordinary share

The diluted earnings per ordinary share of the Group is calculated based on the profit for the financial year attributable to owners of the parent divided by the adjusted weighted average number of ordinary shares after taking into consideration all potential dilutive ordinary shares.

	Group	
	2016	**2015**
In RM million		
Profit for the financial year attributable to owners of the parent	**629.7**	51.9
The adjusted weighted average number of ordinary shares for the computation of diluted earnings per ordinary share is arrived at as follows:		
In million		
Weighted average number of ordinary shares in issue after deducting the treasury shares	**6,303.5**	6,357.7
Adjustments for share option granted to executives of the Group	**2.9**	6.1
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share	**6,306.4**	6,363.8
In sen		
Diluted earnings per ordinary share	**9.99**	0.82

14. DIVIDENDS

In RM million	Group and Company 2016	2015
Second interim single tier dividend in respect of financial year ended 30 June 2015 declared and paid of 4.5 sen per ordinary share	**283.6**	–
First interim single tier dividend in respect of financial year ended 30 June 2016 declared and paid of 3.5 sen per ordinary share	**220.5**	–
Second interim single tier dividend in respect of financial year ended 30 June 2014 declared and paid of 12.0 sen per ordinary share	**–**	763.0
First interim single tier dividend in respect of financial year ended 30 June 2015 declared and paid of 4.5 sen per ordinary share	**–**	286.3
	504.1	1,049.3

15. PROPERTY, PLANT AND EQUIPMENT

Group
2016

In RM million	At beginning of financial year	Additions	Acquisition of oleochemicals business	Disposals	Foreign currency translation differences	Write-offs	Reclassifications	Asset of disposal group held for sale	At end of financial year
At cost									
Freehold land	1,923.3	4.0	12.4	–	4.0	–	–	–	1,943.7
Leasehold land	3,868.2	14.0	–	–	(0.3)	–	–	(5.0)	3,876.9
Bearer plants	2,574.2	109.5	–	–	16.5	(78.8)	–	–	2,621.4
Plantation infrastructures	160.9	28.1	–	–	0.3	–	–	–	189.3
Buildings and improvements	1,546.1	29.9	30.6	(2.5)	28.8	(2.7)	80.2	(12.0)	1,698.4
Plant and machinery	3,325.4	134.5	145.1	(5.2)	59.0	(11.9)	126.6	(0.8)	3,772.7
Motor vehicles	69.5	9.9	–	(6.1)	0.1	(1.4)	0.5	–	72.5
Furniture, fittings and equipment	191.4	18.3	3.0	(3.8)	3.1	(3.2)	2.0	–	210.8
Construction in progress	255.4	118.7	3.6	(4.5)	7.9	–	(209.3)	–	171.8
	13,914.4	466.9	194.7	(22.1)	119.4	(98.0)	–	(17.8)	14,557.5

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group
2016

In RM million	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	Asset of disposal group held for sale	At end of financial year
Accumulated depreciation							
Leasehold land	**94.8**	**53.7**	**–**	**0.3**	**–**	**(0.6)**	**148.2**
Bearer plants	**1,006.6**	**145.2**	**–**	**0.5**	**(59.0)**	**–**	**1,093.3**
Plantation infrastructures	**38.7**	**9.5**	**–**	**–**	**–**	**–**	**48.2**
Buildings and improvements	**632.9**	**55.7**	**(2.5)**	**12.1**	**(1.8)**	**(2.9)**	**693.5**
Plant and machinery	**2,178.8**	**175.6**	**(4.9)**	**43.1**	**(9.3)**	**(0.1)**	**2,383.2**
Motor vehicles	**49.5**	**6.8**	**(5.4)**	**0.2**	**(1.4)**	**–**	**49.7**
Furniture, fittings and equipment	**147.6**	**11.3**	**(3.7)**	**3.1**	**(2.0)**	**–**	**156.3**
	4,148.9	**457.8**	**(16.5)**	**59.3**	**(73.5)**	**(3.6)**	**4,572.4**

2015

In RM million	At beginning of financial year	Additions	Disposals	Foreign currency translation differences	Write-offs	Reclassifications	At end of financial year
At cost							
Freehold land	1,925.7	3.2	(4.4)	(1.2)	–	–	1,923.3
Leasehold land	3,801.7	67.6	(1.2)	0.1	–	–	3,868.2
Bearer plants	2,479.8	133.6	(2.2)	8.3	(45.3)	–	2,574.2
Plantation infrastructures	148.3	12.6	–	–	–	–	160.9
Buildings and improvements	1,506.2	30.6	(0.2)	0.4	(2.5)	11.6	1,546.1
Plant and machinery	3,154.6	107.3	(10.1)	30.8	(9.4)	52.2	3,325.4
Motor vehicles	65.4	7.9	(2.0)	0.1	(2.4)	0.5	69.5
Furniture, fittings and equipment	181.3	11.9	–	(1.1)	(2.6)	1.9	191.4
Construction in progress	148.0	174.0	–	0.7	(1.1)	(66.2)	255.4
	13,411.0	548.7	(20.1)	38.1	(63.3)	–	13,914.4

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group
2015

In RM million	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	At end of financial year
Accumulated depreciation						
Leasehold land	30.5	65.0	–	(0.7)	–	94.8
Bearer plants	903.4	149.3	–	(1.0)	(45.1)	1,006.6
Plantation infrastructures	30.5	8.2	–	–	–	38.7
Buildings and improvements	582.9	50.7	(0.1)	0.9	(1.5)	632.9
Plant and machinery	2,029.9	149.7	(8.8)	16.6	(8.6)	2,178.8
Motor vehicles	47.8	5.6	(1.7)	–	(2.2)	49.5
Furniture, fittings and equipment	140.3	11.2	–	(1.3)	(2.6)	147.6
	3,765.3	439.7	(10.6)	14.5	(60.0)	4,148.9

Company
2016

In RM million	At beginning of financial year	Additions	Disposals	At end of financial year
At cost				
Freehold land	**71.9**	**–**	**–**	**71.9**
Bearer plants	**20.0**	**0.7**	**–**	**20.7**
Motor vehicles	**3.0**	**1.3**	**(1.7)**	**2.6**
Furniture, fittings and equipment	**1.2**	**0.5**	**–**	**1.7**
	96.1	**2.5**	**(1.7)**	**96.9**

In RM million	At beginning of financial year	Current year depreciation charge	Disposals	At end of financial year
Accumulated depreciation				
Bearer plants	**4.2**	**0.8**	**–**	**5.0**
Motor vehicles	**1.3**	**0.5**	**(1.0)**	**0.8**
Furniture, fittings and equipment	**1.2**	**0.1**	**–**	**1.3**
	6.7	**1.4**	**(1.0)**	**7.1**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company
2015

In RM million	At beginning of financial year	Additions	Disposals	At end of financial year
At cost				
Freehold land	72.3	–	(0.4)	71.9
Bearer plants	19.0	1.1	(0.1)	20.0
Motor vehicles	2.6	0.8	(0.4)	3.0
Furniture, fittings and equipment	1.2	–	–	1.2
	95.1	1.9	(0.9)	96.1

In RM million	At beginning of financial year	Current year depreciation charge	Disposals	At end of financial year
Accumulated depreciation				
Bearer plants	3.5	0.7	–	4.2
Motor vehicles	1.2	0.5	(0.4)	1.3
Furniture, fittings and equipment	1.2	–	–	1.2
	5.9	1.2	(0.4)	6.7

	Group		Company	
In RM million	2016	2015	2016	2015
Carrying amount				
Freehold land	**1,943.7**	1,923.3	**71.9**	71.9
Leasehold land	**3,728.7**	3,773.4	**–**	–
Bearer plants	**1,528.1**	1,567.6	**15.7**	15.8
Plantation infrastructures	**141.1**	122.2	**–**	–
Buildings and improvements	**1,004.9**	913.2	**–**	–
Plant and machinery	**1,389.5**	1,146.6	**–**	–
Motor vehicles	**22.8**	20.0	**1.8**	1.7
Furniture, fittings and equipment	**54.5**	43.8	**0.4**	–
Construction in progress	**171.8**	255.4	**–**	–
	9,985.1	9,765.5	**89.8**	89.4

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Included in the Group's bearer plants is an amount of interest expense capitalised during the financial year amounting to RM0.2 million (2015 – RM0.2 million).

Interest is capitalised at 4.70% (2015 – 4.50%) per annum.

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
In RM million	2016	2015	2016	2015
Additions to property, plant and equipment	**466.9**	548.7	**2.5**	1.9
Interest capitalised	**(0.2)**	(0.2)	**–**	–
Financed by finance lease arrangement	**(8.1)**	–	**–**	–
Cash payments on purchase of property, plant and equipment	**458.6**	548.5	**2.5**	1.9

16. PREPAID LEASE PAYMENTS

In RM million	Long term leasehold land	Short term leasehold land	Total
Group			
2016			
At cost			
At beginning of financial year	**3.8**	**6.3**	**10.1**
Additions	**13.8**	**1.0**	**14.8**
Exchange differences	**(0.7)**	**0.5**	**(0.2)**
At end of financial year	**16.9**	**7.8**	**24.7**
Accumulated amortisation			
At beginning of financial year	**(3.0)**	**(0.4)**	**(3.4)**
Current year amortisation	**(0.2)**	**–**	**(0.2)**
At end of financial year	**(3.2)**	**(0.4)**	**(3.6)**
Carrying amount			
At end of financial year	**13.7**	**7.4**	**21.1**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

16. PREPAID LEASE PAYMENTS (Continued)

In RM million	Long term leasehold land	Short term leasehold land	Total
Group			
2015			
At cost			
At beginning of financial year	2.9	4.5	7.4
Additions	0.9	1.6	2.5
Exchange differences	–	0.2	0.2
At end of financial year	3.8	6.3	10.1
Accumulated amortisation			
At beginning/at end of financial year	(3.0)	(0.4)	(3.4)
Carrying amount			
At end of financial year	0.8	5.9	6.7

17. INVESTMENT PROPERTIES

In RM million	Group 2016	Group 2015
Freehold land and buildings		
At cost		
At beginning of financial year	**7.0**	8.3
Disposal	**–**	(1.3)
At end of financial year	**7.0**	7.0
Accumulated depreciation		
Current year depreciation charge	**(0.1)**	–
At end of financial year	**(0.1)**	–
Carrying amount		
At end of financial year	**6.9**	7.0

18. INTANGIBLE ASSETS

In RM million	Group 2016	Group 2015
Goodwill (Note 18.1)	**462.7**	458.4
Other intangible assets (Note 18.2)	**59.0**	–
	521.7	458.4

18.1 Goodwill

In RM million	Group 2016	Group 2015
At beginning of financial year	**458.4**	458.4
Acquisition of oleochemicals business (Note 36)	**4.5**	–
Exchange differences	**(0.2)**	–
At end of financial year	**462.7**	458.4

The goodwill recognised on the acquisitions was attributable mainly to the skills and technical talents of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business.

For the purpose of impairment testing, goodwill is allocated to the Group's Cash-generating Units ("CGUs") identified according to the operating segments as follows:

In RM million	Group 2016	Group 2015
Plantation	**128.5**	128.5
Resource-based manufacturing	**334.2**	329.9
	462.7	458.4

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. INTANGIBLE ASSETS (Continued)

18.1 Goodwill (Continued)

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGUs based on value-in-use. Value-in-use is determined by discounting the future cash flows to be generated from the continuing use of the CGUs based on the following assumptions:

i. Cash flows are projected based on the management's most recent three-year business plan and extrapolated to a period of ten (10) years (the average economic useful lives of the assets) for all companies with the exception of plantation companies. For plantation companies, cash flows are projected for a period of twenty-five (25) years (the average life cycle of oil palm trees).

ii. Discount rates used for cash flows discounting purpose is the Group's weighted average cost of capital. The average discount rate applied for cash flow projections is 7.06% (2015 – 7.52%).

iii. Growth rate for the plantation segment are determined based on the management's estimate of commodity prices, palm yields, oil extraction rates and also cost of productions whilst growth rates of other segments are determined based on the industry trends and past performances of the segments.

iv. Profit margins are projected based on the industry trends and historical profit margin achieved.

The management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amounts of the CGUs to materially exceed their recoverable amounts.

18.2 Other intangible assets

	Group
In RM million	2016
Brand names	
At cost	
Acquisition of oleochemicals business (Note 36)	62.7
Exchange differences	(2.0)
At end of financial year	60.7
Accumulated amortisation	
Current year amortisation	(1.6)
Exchange differences	(0.1)
At end of financial year	(1.7)
Carrying amount	
At end of financial year	59.0

Other intangible assets of the Group comprise of brand names relate to WITEPSOL®, MIGLYOL® and SOFTISAN® which stand for proven quality and unique performance over decades.

19. SUBSIDIARIES

19.1 Investments in subsidiaries

In RM million	Company 2016	Company 2015
At cost		
Unquoted shares in Malaysia	**6,690.9**	6,690.3
Unquoted shares outside Malaysia	**1,077.2**	999.7
	7,768.1	7,690.0
Less: Accumulated impairment losses	**(4.3)**	(4.3)
	7,763.8	7,685.7

Details of the subsidiaries are set out in Note 45 to the financial statements.

2016

During the financial year, the Company:

i. subscribed for an additional 143,507,003 redeemable preference shares of HK$1.00 each in IOI Edible Oils (HK) Limited at par value with cash payments of HKD143.5 million (equivalent to RM77.5 million).

ii. acquired 1,050,000 ordinary shares of RM1.00 each in IOI Global Services Sdn Bhd *(formerly known as IOI Corporate Services Sdn Bhd)* with cash payments of RM1.2 million. The acquisition has no material impact on the Group's financial statements.

iii. redeemed 550,000 redeemable preference shares of RM0.10 each plus a premium of RM0.90 each in Morisem Consolidated Sdn Bhd with total redemption amount of RM0.6 million.

2015

During the previous financial year, the Company subscribed for shares in the following subsidiaries:

Company	Type of shares	No. of shares	Amount *RM million*
IOI Bio-Energy Sdn Bhd	Ordinary share of RM1.00 each at par value	2,342,000	2.3
	Redeemable non-cumulative preference shares of RM0.10 each at a premium of RM0.90 per share	22,500,000	22.5
Morisem Consolidated Sdn Bhd	Ordinary share of RM1.00 each at par value	3,500,000	3.5
	Redeemable non-cumulative preference shares of RM0.10 each at a premium of RM0.90 per share	28,500,000	28.5
IOI Lipid Enzymtec Sdn Bhd	Redeemable non-cumulative preference shares of RM0.10 each at a premium of RM0.90 per share	30,000,000	30.0
IOI Edible Oils (HK) Limited	Redeemable preference shares of HK$1.00 each at par value	90,713,870	41.5

The above subscriptions were settled by cash and had no material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. SUBSIDIARIES (Continued)

19.2 Amounts due from and to subsidiaries

The amounts due from and to subsidiaries represent outstanding amounts arising from inter-company sales and purchases, advances and payments made on behalf of or by subsidiaries. These amounts are unsecured and bear interest at rates ranging from 0% to 5.50% (2015 – 0% to 5.25%) per annum.

The non-current amounts due to subsidiaries are payable on a back-to-back basis with the corresponding borrowings of the Group. The current amounts due from and to subsidiaries are payable upon demand in cash and cash equivalents.

19.3 Different financial year end of subsidiaries

Due to local requirements, five (5) indirect subsidiaries of the Company, IOI (Xiamen) Edible Oils Co., Ltd, Loders Croklaan (Shanghai) Trading Co. Ltd, Tianjin Palmco Oil And Fats Co. Ltd, Loders Croklaan Latin America Comercio De Gorduras e Oleos Vegetais Ltda and Loders Croklaan Burkina Faso S.A.R.L. adopt a 31 December financial year end, which does not coincide with that of the Company.

19.4 Material non-controlling interests

The Group does not have any subsidiary that has non-controlling interests which is individually material to the Group as at 30 June 2016.

20. ASSOCIATES

20.1 Investments in associates

	Group		Company	
In RM million	2016	2015	2016	2015
At cost				
Shares quoted outside Malaysia	**434.0**	423.3	**–**	–
Unquoted shares in Malaysia	**82.4**	82.4	**20.4**	20.4
	516.4	505.7	**20.4**	20.4
Share of post acquisition results and reserves	**421.1**	307.0	**–**	–
	937.5	812.7	**20.4**	20.4
At Market Value				
Shares quoted outside Malaysia	**1,269.6**	1,531.3	**–**	–

Details of the associates are set out in Note 45 to the financial statements.

20. ASSOCIATES (Continued)

20.2 Material associates and summary of financial information

The Group regards Bumitama Agri Ltd ("Bumitama") as a material associate. The summary of financial information of Bumitama for the year ended 31 March 2016 is summarised as follows.

	Bumitama	
In RM million	2016	2015
Assets and liabilities		
Current assets	**745.0**	902.6
Non-current assets	**3,682.1**	3,087.0
Total assets	**4,427.1**	3,989.6
Current liabilities	**716.9**	1,055.7
Non-current liabilities	**1,796.0**	1,421.4
Total liabilities	**(2,512.9)**	(2,477.1)
Net assets	**1,914.2**	1,512.5
Non-controlling interests	**(170.0)**	(137.2)
Net assets attributable to shareholders of Bumitama	**1,744.2**	1,375.3
Results		
Revenue	**1,666.5**	1,623.3
Profit for the financial year	**236.3**	238.2
Other comprehensive income/(loss)	**36.6**	(66.7)
Total comprehensive income	**272.9**	171.5

The information above represents the amounts in the financial statements of Bumitama and do not reflect the Group's proportionate share in those amounts.

The reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Bumitama is as follows:

In RM million	2016	2015
Net assets attributable to shareholders of Bumitama	**1,744.2**	1,375.3
Proportion of ownership interest held by the Group	**31.71%**	31.41%
Group's share of net assets	**553.1**	431.9
Goodwill	**168.7**	168.7
Carrying value of Group's interest in Bumitama	**721.8**	600.6

Dividends received from Bumitama during the financial year amounted to RM8.0 million (2015 – RM22.2 million).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

20. ASSOCIATES (Continued)

20.2 Material associates and summary of financial information (Continued)

The summarised financial information based on the Group's interest in the individually immaterial associates in aggregate is as follows:

In RM million	Group 2016	Group 2015
Profit for the financial year	**21.5**	29.7
Other comprehensive income	**7.5**	–
Total comprehensive income	**29.0**	29.7
Carrying amount	**215.7**	212.1

20.3 Amounts due from and to associates

Amounts due from and to associates represent outstanding amounts arising from agency income, purchases, advances and payments made on behalf of or by associates, which are unsecured, bear interest at rates ranging from 0% to 5.50% (2015 – 0% to 5.25%) per annum and payable upon demand in cash and cash equivalents.

21. JOINT VENTURES

21.1 Interests in joint ventures

	Group		Company	
In RM million	2016	2015	2016	2015
Unquoted shares, at cost	**18.0**	18.0	**18.0**	18.0
Share of post acquisition results and reserves	**(12.0)**	(6.8)	**–**	–
	6.0	11.2	**18.0**	18.0
Amounts due from joint ventures	**25.7**	24.0	**25.7**	24.0
	31.7	35.2	**43.7**	42.0

Details of the joint ventures are set out in Note 45 to the financial statements.

Amounts due from joint ventures represent outstanding amounts arising from advances and payments made on behalf of joint ventures, which are unsecured, bear interest at 3.50% (2015 – 3.50%) per annum and are not repayable within the next twelve (12) months.

21. JOINT VENTURES (Continued)

21.1 Interests in joint ventures (Continued)

The summarised financial information based on the Group's interest in the individually immaterial joint ventures in aggregate is as follows:

In RM million	Group 2016	Group 2015
Loss for the financial year	**(5.2)**	(5.8)
Total comprehensive loss	**(5.2)**	(5.8)
Carrying amount	**31.7**	35.2

21.2 Capital commitment of joint ventures

In RM million	Group 2016	Group 2015
Authorised capital expenditure of joint ventures		
Property, plant and equipment		
– Non contracted	**–**	0.2

22. DERIVATIVE FINANCIAL INSTRUMENTS

In RM million	Contract/ Notional amount Net (short)/long	Fair value Financial Assets	Fair value Financial Liabilities
Group			
2016			
Forward foreign exchange contracts	**(1,047.3)**	**56.7**	**16.6**
Commodity forward contracts	**284.7**	**65.5**	**67.7**
Commodity futures	**52.2**	**8.5**	**9.2**
Cross currency swap contracts	**1,624.6**	**250.5**	**–**
Interest rate swap contracts	**1,502.7**	**–**	**14.3**
Total derivative financial instruments	**2,416.9**	**381.2**	**107.8**
Less: Current portion		**(232.9)**	**(94.5)**
Non-current portion		**148.3**	**13.3**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

22. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

In RM million	Contract/ Notional amount Net (short)/long	Fair value Financial Assets	Fair value Financial Liabilities
Group			
2015			
Forward foreign exchange contracts	(1,651.8)	14.1	105.2
Commodity forward contracts	(34.1)	25.5	11.2
Commodity futures	52.1	1.5	7.8
Cross currency swap contracts	1,024.4	138.7	–
Interest rate swap contracts	1,977.8	–	29.5
Total derivative financial instruments	1,368.4	179.8	153.7
Less: Current portion		(41.1)	(123.8)
Non-current portion		138.7	29.9

In RM million	Contract/ Notional amount Net long	Fair value Financial Assets	Fair value Financial Liabilities
Company			
2016			
Cross currency swap contracts	**401.8**	**2.2**	**–**
Interest rate swap contracts	**1,205.4**	**–**	**13.3**
Total derivative financial instruments	**1,607.2**	**2.2**	**13.3**
Less: Current portion		**–**	**–**
Non-current portion		**2.2**	**13.3**
2015			
Interest rate swap contracts	1,698.5	–	26.8
Total derivative financial instruments	1,698.5	–	26.8
Less: Current portion		–	–
Non-current portion		–	26.8

22. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

i. Forward foreign exchange contracts

Forward foreign exchange contracts were entered into as hedges for sales and purchases denominated in foreign currencies and to limit the exposure to potential changes in foreign exchange rates with respect to the Group's foreign currencies denominated financial assets and financial liabilities.

ii. Commodity forward contracts, swap contracts and futures

The commodities forward contracts, swap contracts and futures were entered into with the objective of managing and hedging the respective exposure of the Group's plantation segment and resource-based manufacturing segment to adverse price movements in vegetable oil commodities. The fair values of these components have been determined based on published market prices or quoted prices from reputable financial institutions.

iii. Cross currency swap contracts

The cross currency swap contracts of the Group are mainly used to hedge against its exposures of borrowings, except for a cross currency swap contract which swapped a fixed rate of USD100.0 million liability to a fixed rate of EUR90.9 million liability ("USDEUR CCS") to serve as a net investment hedge against the Group's Euro denominated assets. The fair value of the USDEUR CCS as at end of the financial year is RM2.2 million.

iv. Interest rate swap contracts

Interest rate swap contracts are used to hedge the Group's exposures to movements in interest rates.

All the above derivatives were initially recognised at fair value on the date the derivative contracts were entered into. The derivatives except for the USDEUR CCS were subsequently remeasured at fair value through profit or loss, where the resulting gains or losses from the remeasurement were recognised in the profit or loss. The changes in fair value of the USDEUR CCS were recognised in the other comprehensive income pursuant to hedge accounting.

During the financial year, the Group and the Company recognised total fair value gain of RM45.9 million (2015 – loss of RM50.8 million) and fair value gain of RM13.5 million (2015 – gain of RM35.7 million) respectively arising from fair value changes of derivative liabilities. The methods and assumptions applied in determining the fair values of derivatives are disclosed in Note 41.6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23. DEFERRED TAXATION

	Group		Company	
In RM million	2016	2015	2016	2015
At beginning of financial year	**1,291.9**	1,344.0	**3.7**	3.8
Recognised in profit or loss (Note 12)				
– Current year	**7.2**	(38.8)	**0.2**	(0.1)
– Prior years	**(3.8)**	(14.1)	**–**	–
	3.4	(52.9)	**0.2**	(0.1)
Recognised in other comprehensive income	**(1.3)**	(1.7)	**–**	–
Acquisition of oleochemicals business (Note 36)	**(6.5)**	–	**–**	–
Foreign currency translation differences	**8.7**	2.5	**–**	–
At end of financial year	**1,296.2**	1,291.9	**3.9**	3.7

Presented after appropriate offsetting as follows:

	Group		Company	
In RM million	2016	2015	2016	2015
Deferred tax liabilities	**1,334.2**	1,344.9	**3.9**	3.7
Deferred tax assets	**(38.0)**	(53.0)	**–**	–
	1,296.2	1,291.9	**3.9**	3.7

The movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities

	Group		Company	
In RM million	2016	2015	2016	2015
At beginning of financial year	**1,344.9**	1,394.4	**3.7**	3.8
Recognised in profit or loss				
Temporary differences on property, plant and equipment	**(23.3)**	(44.3)	**0.1**	(0.1)
Temporary differences on fair valuation of biological assets	**(1.1)**	(2.3)	**0.1**	–
Temporary differences on prepaid lease rental	**0.1**	(0.3)	**–**	–
Other temporary differences	**5.8**	(3.8)	**–**	–
Effect of changes in tax rates on deferred tax	**–**	(2.6)	**–**	–
	(18.5)	(53.3)	**0.2**	(0.1)
Foreign currency translation differences	**7.8**	3.8	**–**	–
At end of financial year	**1,334.2**	1,344.9	**3.9**	3.7

23. DEFERRED TAXATION (Continued)

Deferred tax assets

	Group	
In RM million	2016	2015
At beginning of financial year	**53.0**	50.4
Recognised in profit or loss		
Temporary differences on unutilised tax losses	**(16.4)**	(8.2)
Temporary differences on unabsorbed capital allowances	**1.2**	(2.7)
Retirement benefit obligation	**0.2**	–
Unrealised profits on inventories	**(6.9)**	2.6
Other deductible temporary differences	**–**	8.4
Effect of changes in tax rates on deferred tax	**–**	(0.5)
	(21.9)	(0.4)
Recognised in other comprehensive income	**1.3**	1.7
Acquisition of oleochemicals business (Note 36)	**6.5**	–
Foreign currency translation differences	**(0.9)**	1.3
At end of financial year	**38.0**	53.0

The components of deferred tax liabilities and assets at the end of the financial year comprise the tax effects of:

Deferred tax liabilities

	Group		Company	
In RM million	2016	2015	2016	2015
Temporary differences on property, plant and equipment	**1,314.9**	1,327.1	**3.8**	3.7
Temporary differences on prepaid lease rental	**5.3**	4.9	**–**	–
Temporary differences on fair valuation of biological assets	**9.7**	10.8	**0.1**	–
Other taxable temporary differences	**4.3**	2.1	**–**	–
	1,334.2	1,344.9	**3.9**	3.7

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23. DEFERRED TAXATION (Continued)

Deferred tax assets

In RM million	Group 2016	Group 2015
Unutilised tax losses	**16.4**	28.3
Unabsorbed capital allowances	**6.8**	9.8
Retirement benefit obligation	**9.2**	2.4
Unrealised profits on inventories	**5.6**	12.5
	38.0	53.0

The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follow:

In RM million	Group 2016	Group 2015
Unutilised tax losses	**106.9**	63.0

Deferred tax asset of certain subsidiaries has not been recognised in respect of this item as it is not probable that taxable income of the subsidiaries will be available against which the deductible temporary differences can be utilised.

24. INVENTORIES

In RM million	Group 2016	Group 2015
At cost		
Plantation produce	**26.9**	51.9
Raw materials and consumables	**1,205.8**	1,046.2
Nursery inventories	**23.0**	26.6
Finished goods	**415.4**	510.1
Semi-finished goods	**304.5**	253.3
Others	**2.3**	3.3
	1,977.9	1,891.4
At net realisable value		
Raw materials and consumables	**7.0**	0.7
Semi-finished goods	**–**	30.4
Finished goods	**299.5**	160.6
	306.5	191.7
	2,284.4	2,083.1

25. BIOLOGICAL ASSETS

	Group		Company	
In RM million	2016	2015	2016	2015
At fair value				
Fresh fruit bunches				
At beginning of financial year	**45.2**	51.2	**0.2**	0.2
Changes in fair value less costs to sell	**(4.4)**	(6.0)	**–**	–
At end of financial year	**40.8**	45.2	**0.2**	0.2

The biological assets of the Group comprise of fresh fruit bunches ("FFB") prior to harvest. The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. To arrive at the fair value, the management has considered the oil content of the unripe FFB and derived the assumption that the net cash flows to be generated from FFB prior to more than 15 days to harvest is negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 80% of the ripe FFB, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Costs to sell include harvesting cost, transport and windfall profit levy.

During the financial year, the Group and the Company harvested approximately 3,145,317 tonnes (2015 – 3,542,222 tonnes) and 12,473 tonnes (2015 – 12,057 tonnes) of FFB respectively.

As at 30 June 2016, none of the biological assets are pledged as securities for liabilities.

The fair value measurement of the Group's biological assets are categorised within Level 3 of the fair value hierarchy. If the FFB selling price changes by 10%, profit or loss for the Group and the Company would have equally increased or decreased by approximately RM4.8 million (2015 – RM5.5 million) and RM0.1 million (2015 – RM0.1 million) respectively.

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
In RM million	2016	2015	2016	2015
Trade receivables (Note 26.1)	**926.7**	865.0	**–**	–
Other receivables, deposits and prepayments (Note 26.2)	**264.5**	197.4	**20.3**	15.4
	1,191.2	1,062.4	**20.3**	15.4

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

26. TRADE AND OTHER RECEIVABLES (Continued)

26.1 Trade receivables

	Group	
In RM million	2016	2015
Trade receivables	**940.3**	875.9
Less: Impairment losses	**(13.6)**	(10.9)
	926.7	865.0

i. The normal trade credit terms granted by the Group range from 7 to 120 days. They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.

ii. The reconciliation of movements in the impairment losses of trade receivables is as follows:

	Group	
In RM million	2016	2015
At beginning of financial year	**10.9**	11.4
Charge for the financial year	**2.9**	0.6
Written back	**(0.3)**	(1.2)
Foreign currency translation differences	**0.1**	0.1
At end of financial year	**13.6**	10.9

26.2 Other receivables, deposits and prepayments

	Group		Company	
In RM million	2016	2015	2016	2015
Other receivables	**205.6**	129.9	**–**	0.3
Less: Impairment losses	**(0.4)**	(0.4)	**–**	–
	205.2	129.5	**–**	0.3
Deposits	**29.8**	21.5	**20.2**	15.0
Prepayments	**29.5**	46.4	**0.1**	0.1
	264.5	197.4	**20.3**	15.4

27. OTHER INVESTMENTS

	Group		Company	
In RM million	**2016**	**2015**	**2016**	**2015**
At fair value through profit or loss				
In Malaysia				
– Quoted shares	**95.1**	98.1	**4.1**	4.2
– Unquoted shares	**7.4**	6.7	**–**	–
Outside Malaysia				
– Quoted shares	**1.7**	2.4	**–**	–
	104.2	107.2	**4.1**	4.2

28. SHORT TERM FUNDS

	Group	
In RM million	**2016**	**2015**
At fair value through profit or loss		
Investments in fixed income trust funds in Malaysia	**1,120.1**	1,088.9

Investments in fixed income trust funds in Malaysia represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

29. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
In RM million	**2016**	**2015**	**2016**	**2015**
Deposits with licensed banks	**248.7**	221.4	**128.6**	17.0

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30. ASSETS OF DISPOSAL GROUP HELD FOR SALE

On 7 March 2016, IOI Pan-Century Edible Oils Sdn Bhd, an indirect wholly owned subsidiary of the Company has entered into an agreement to dispose off a parcel of leasehold land, buildings and improvements, and plant and machinery. These disposal are expected to be completed by October 2016.

As at 30 June 2016, the assets of disposal group held for sale are as follows:

Group
2016

In RM million	Cost	Accumulated depreciation	Carrying amount
Property, plant and equipment			
Leasehold land	**5.0**	**(0.6)**	**4.4**
Buildings and improvements	**12.0**	**(2.9)**	**9.1**
Plant and machinery	**0.8**	**(0.1)**	**0.7**
	17.8	**(3.6)**	**14.2**

31. SHARE CAPITAL

	2016		2015	
	No. of shares	Amount *RM million*	No. of shares	Amount *RM million*
Group and Company				
Authorised				
Ordinary shares of RM0.10 each	**7,500,000,000**	**750.0**	7,500,000,000	750.0
Issued and fully paid-up				
Ordinary shares of RM0.10 each				
At beginning of financial year	**6,459,295,395**	**645.9**	6,450,377,395	645.0
Issue of shares arising from the exercise of ESOS				
At RM2.03 per ordinary share	**1,260,800**	**0.2**	2,612,100	0.3
At RM3.49 per ordinary share	**1,260,000**	**0.1**	3,553,400	0.3
At RM4.17 per ordinary share	**–**	**–**	2,752,500	0.3
At end of financial year	**6,461,816,195**	**646.2**	6,459,295,395	645.9

i. The owners of the parent are entitled to receive dividends as declared from time to time and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

ii. Of the total 6,461,816,195 (2015 – 6,459,295,395) issued and fully paid-up ordinary shares of RM0.10 each, 173,609,200 shares (2015 – 137,932,900) are held as treasury shares as disclosed in Note 32.2 to the financial statements. Accordingly, the number of ordinary shares in issue and fully paid-up after deducting treasury shares as at end of the financial year is 6,288,206,995 (2015 – 6,321,362,495) ordinary shares of RM0.10 each.

31. SHARE CAPITAL (Continued)

31.1 Executive Share Option Scheme

The Executive Share Option Scheme ("ESOS") which was established on 23 November 2005 for the benefit of the executives and full time Executive Directors of the Group expired on 23 November 2015.

The movements of the options over the unissued ordinary shares of RM0.10 each in the Company granted under the ESOS during the financial year prior to expiry were as follows:

		No. of options over ordinary shares				
Option price *RM*	Date of offer	Outstanding as at beginning of the financial year	Exercised	Lapsed*	Outstanding as at end of the financial year	Exercisable as at end of the financial year
2016						
2.03	12 January 2006	**6,276,500**	**(1,260,800)**	**(5,015,700)**	–	–
3.49	2 April 2007	**8,598,600**	**(1,260,000)**	**(7,338,600)**	–	–
4.17	6 July 2010	**1,418,000**	–	**(1,418,000)**	–	–
		16,293,100	**(2,520,800)**	**(13,772,300)**	–	–
Weighted average exercise price *(RM)*		**2.99**	**2.76**	**3.03**	–	–
2015						
2.03	12 January 2006	12,643,000	(2,612,100)	(3,754,400)	6,276,500	6,276,500
3.49	2 April 2007	13,092,800	(3,553,400)	(940,800)	8,598,600	8,598,600
4.17	6 July 2010	6,906,400	(2,752,500)	(2,735,900)	1,418,000	1,418,000
		32,642,200	(8,918,000)	(7,431,100)	16,293,100	16,293,100
Weighted average exercise price *(RM)*		3.07	3.27	3.00	2.99	2.99

* *Due to resignation/retirement of employees and expiry of ESOS on 23 November 2015.*

31.1.1 Share options outstanding as at end of the previous financial year

Option price *RM*	No. of share options	Weighted average exercise price *RM*	Exercisable period
2015			
2.03	6,276,500	2.03	12 January 2007 – 23 November 2015
3.49	8,598,600	3.49	2 April 2008 – 23 November 2015
4.17	1,418,000	4.17	6 July 2011 – 23 November 2015
	16,293,100	2.99	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. SHARE CAPITAL (Continued)

31.1 Executive Share Option Scheme (Continued)

31.1.2 Share options exercised during the financial year

Option price *RM*	No. of share options exercised 2.03	 3.49	Weighted average share price *RM*
2016			
August 2015	**284,600**	**341,400**	**3.99**
November 2015	**264,900**	**308,600**	**4.31**
December 2015	**711,300**	**610,000**	**4.44**
	1,260,800	**1,260,000**	**4.34**

Option price *RM*	No. of share options exercised 2.03	 3.49	 4.17	Weighted average share price *RM*
2015				
July 2014	1,039,500	1,855,500	2,222,000	5.00
September 2014	653,300	346,800	258,000	4.81
October 2014	154,300	226,000	9,000	4.88
January 2015	236,100	384,200	137,000	4.74
February 2015	38,200	122,000	35,000	4.72
May 2015	325,200	389,000	91,500	3.99
June 2015	165,500	229,900	–	4.04
	2,612,100	3,553,400	2,752,500	4.44

In view of the expiry of the ESOS, the Company's shareholders approved the establishment of a new executive share option scheme ("New ESOS") of up to ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) at an extraordinary general meeting held on 27 October 2015. Following that, the New ESOS was established on 28 January 2016.

The salient features of the New ESOS are as follows:

a) Maximum number of shares available under the New ESOS

The maximum number of new ordinary shares in the Company ("IOI Shares") which may be granted under the New ESOS shall not in aggregate exceed ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any point of time throughout the duration of the New ESOS.

31. SHARE CAPITAL (Continued)

31.1 Executive Share Option Scheme (Continued)

b) Eligibility

Employee of the Group

Subject to the discretion of the committee appointed by the Board to administer the New ESOS ("ESOS Committee"), any employee of the Group shall be eligible to participate in the New ESOS if, as at the date of the Offer ("Offer Date"), the employee:

i. has attained at least eighteen (18) years of age;

ii. falls under the grade of M1 and above;

iii. is confirmed in writing as a full time employee and/or has been in employment of the Group (excluding subsidiaries which are dormant and/or incorporated outside Malaysia) for a period of at least three (3) years of continuous service prior to and up to the Offer Date; and

iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

Director of the Group

Subject to the discretion of ESOS Committee, any Director of the Group shall be eligible to participate in the New ESOS if, as at Offer Date, the Director:

i. has attained at least eighteen (18) years of age;

ii. is an Executive Director who has been involved in the management of the Group (excluding subsidiaries which are dormant and/or incorporated outside Malaysia) for a period of at least three (3) years of continuous service prior to and up to the Offer Date;

iii. the specific allocation of the new IOI Share to such Executive Director under the New ESOS must have been approved by the Shareholders at a general meeting and he/she is not prohibited or disallowed by the relevant authorities or laws from participating in the New ESOS; and

iv. fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

(The eligible employees (including Executive Director) above are hereinafter referred to as "Eligible Person(s)")

c) Maximum allowable allotment and basis of allocation

Subject to any adjustment which may be made under the By-Laws, the maximum number of new IOI Shares that may be offered under the New ESOS shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the Eligible Person's position, performance, length of service and seniority in the Group respectively, or such other matters which the ESOS Committee may in its discretion deem fit subject to the following:

i. the Eligible Person does not participate in the deliberation or discussion in respect of their own allocation; and

ii. the number of new IOI Shares allotted to any Eligible Person, who either singularly or collectively through person connected with him/her (as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")), holds twenty percent (20%) or more of the issued and paid-up capital of the Company, shall not exceed ten percent (10%) of the total number of new IOI Shares to be issued under the New ESOS, provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other requirements of the relevant authorities and as amended from time to time.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. SHARE CAPITAL (Continued)

31.1 Executive Share Option Scheme (Continued)

d) Exercise price

The exercise price shall be based on the higher of the following:

i. the five (5)-day volume weighted average market price of IOI Shares, as quoted on Bursa Securities, immediately preceding the Offer Date, with a discount of not more than ten percent (10%) or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the New ESOS; or

ii. the par value of the IOI Shares of RM0.10 each;

and subject to any adjustments stipulated in the By-Laws, where applicable.

e) Duration and termination of the New ESOS

i. The New ESOS came into force on 28 January 2016 ("Effective Date") and shall be for a duration of five (5) years.

ii. The New ESOS may be terminated by the ESOS Committee at any time before the expiry of its duration provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:

- the effective date of termination;
- the number of options exercised or shares vested, if applicable; and
- the reasons and justification for termination.

iii. Approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of grantees who have yet to exercise their options and/or vest the unvested shares (if applicable) are not required to effect a termination of the New ESOS.

f) Exercise of option

Options are exercisable commencing from the Offer Date and expiring at the end of five (5) years from the Effective Date or in the event of a termination of the New ESOS, the date of termination of the New ESOS.

g) Ranking of the new IOI Shares

The new IOI Shares to be allotted and issued upon any exercise of the option shall, upon allotment and issuance, rank pari passu in all respects with the existing issued and paid-up IOI Shares, save and except that the holders of the new IOI Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid to the shareholders of the Company, where the record date precedes the date of allotment of the said shares. The option shall not carry any right to vote at a general meeting of the Company.

32. RESERVES

	Group		Company	
In RM million	**2016**	**2015**	**2016**	**2015**
Share premium	**73.3**	64.4	**73.3**	64.4
Capital reserves (Note 32.1)	**72.0**	105.1	**64.3**	97.4
Treasury shares, at cost (Note 32.2)	**(763.4)**	(620.2)	**(763.4)**	(620.2)
Foreign currency translation reserve (Note 32.3)	**(82.5)**	(162.5)	**–**	–
Other reserves (Note 32.4)	**(1.7)**	(3.8)	**–**	–
Hedging reserve (Note 32.5)	**(0.7)**	–	**–**	–
	(703.0)	(617.0)	**(625.8)**	(458.4)

The movements in reserves are shown in the statements of changes in equity.

32.1 Capital reserves

	Group		Company	
In RM million	**2016**	**2015**	**2016**	**2015**
Net accretion in Group's share of net assets arising from shares issued by certain subsidiaries to non-controlling shareholders	**7.7**	7.7	**–**	–
Capital redemption reserves arising from the cancellation of treasury shares	**64.3**	64.3	**64.3**	64.3
Share option reserves	**–**	33.1	**–**	33.1
	72.0	105.1	**64.3**	97.4

32.2 Treasury shares

The shareholders of the Company, by an ordinary resolution passed at an extraordinary general meeting held on 18 November 1999, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed during subsequent Annual General Meetings of the Company, including the last meeting held on 27 October 2015.

The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the Share Buy Back can be applied in the best interests of the Company and its shareholders. The Company has the right to cancel, resell these shares and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution is suspended.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32. RESERVES (Continued)

32.2 Treasury shares (Continued)

During the financial year, the Company repurchased its issued ordinary shares of RM0.10 each from the open market as follows:

			Purchase Price*		
	No. of Shares	Cost *RM million*	Highest *RM*	Lowest *RM*	Average *RM*
2016					
At beginning of financial year	**137,932,900**	**620.2**	**5.69**	**3.98**	**4.50**
Purchased during the financial year					
July 2015	**700,000**	**2.9**	**4.15**	**4.15**	**4.15**
August 2015	**13,180,100**	**52.1**	**4.04**	**3.89**	**3.96**
September 2015	**8,985,900**	**35.2**	**4.07**	**3.84**	**3.92**
November 2015	**50,000**	**0.2**	**4.18**	**4.18**	**4.18**
May 2016	**11,473,100**	**47.4**	**4.21**	**4.10**	**4.13**
June 2016	**1,287,200**	**5.4**	**4.15**	**4.15**	**4.15**
	35,676,300	**143.2**	**4.21**	**3.84**	**4.01**
At end of financial year	**173,609,200**	**763.4**	**5.69**	**3.84**	**4.40**
2015					
At beginning of financial year	94,954,700	441.0	5.69	4.14	4.64
Purchased during the financial year					
November 2014	1,130,000	5.1	4.62	4.54	4.56
April 2015	12,158,300	53.5	4.41	4.37	4.40
May 2015	15,525,400	63.8	4.30	3.99	4.11
June 2015	14,164,500	56.8	4.10	3.98	4.01
	42,978,200	179.2	4.62	3.98	4.17
At end of financial year	137,932,900	620.2	5.69	3.98	4.50

* *Purchase price includes stamp duty, brokerage and clearing fees.*

The transactions under Share Buy Back were financed by internally generated funds. The repurchased ordinary shares of the Company were held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965 in Malaysia.

32.3 Foreign currency translation reserve

The foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items, which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

32. RESERVES (Continued)

32.4 Other reserves

The other reserves arising from the Group's share of associates fair value reserve.

32.5 Hedging reserve

The hedging reserve arising from changes in the fair value relating to the effective portion on the hedge of net investments in foreign operations.

33. BORROWINGS

	Group		Company	
In RM million	2016	2015	2016	2015
Non-current liabilities				
Unsecured				
Term loans (Note 33.1)	**1,282.3**	1,267.7	**–**	–
Less: Portion due within 12 months included under short term borrowings	**(461.3)**	–	**–**	–
	821.0	1,267.7	**–**	–
Islamic financing facilities (Note 33.2)	**2,781.7**	2,318.9	**1,806.3**	1,696.1
Less: Portion due within 12 months included under short term borrowings	**(1,104.2)**	–	**(441.6)**	–
	1,677.5	2,318.9	**1,364.7**	1,696.1
Notes (Note 33.5)	**2,396.5**	2,249.3	**–**	–
Finance lease obligation (Note 33.8)	**8.1**	–	**–**	–
Less: Portion due within 12 months included under short term borrowings	**(0.2)**	–	**–**	–
	7.9	–	**–**	–
	4,902.9	5,835.9	**1,364.7**	1,696.1
Current liabilities				
Unsecured				
Term loans – portion due within 12 months (Note 33.1)	**461.3**	–	**–**	–
Islamic financing facilities – portion due within 12 months (Note 33.2)	**1,104.2**	–	**441.6**	–
Trade financing (Note 33.6)	**555.0**	548.3	**–**	–
Islamic revolving credit financing facilities (Note 33.7)	**357.6**	264.2	**357.6**	264.2
Finance lease obligation – portion due within 12 months (Note 33.8)	**0.2**	–	**–**	–
	2,478.3	812.5	**799.2**	264.2
Total borrowings	**7,381.2**	6,648.4	**2,163.9**	1,960.3

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33. BORROWINGS (Continued)

33.1 Term loans

The term loans of the Group include:

Unsecured

i. 30-year JPY15.0 billion fixed-rate loan due 2037 that was drawn down on 22 January 2007 by a wholly-owned subsidiary incorporated in Labuan. The outstanding amount as at the end of the financial year is JPY15.0 billion (2015 – JPY15.0 billion). This fixed-rate loan bears interest at 4.325% per annum and is repayable in full on 22 January 2037.

ii. 30-year JPY6.0 billion fixed-rate loan due 2038 that was drawn down on 5 February 2008 by a wholly-owned subsidiary incorporated in Labuan. The outstanding amount as at end of the financial year is JPY6.0 billion (2015 – JPY6.0 billion). This fixed-rate loan bears interest at 4.50% per annum and is repayable in full on 5 February 2038.

iii. USD330.0 million term loan that was drawn down by a wholly-owned subsidiary. This floating-rate term loan bears interest at 0.82% plus London Interbank Offered Rate ("LIBOR") per annum and is repayable in five (5) years from the first drawn down date in December 2011. Part of the term loan amounted to USD165.0 million was refinanced by entering into Islamic financing facility of USD165.0 million during the previous financial year and USD50.0 million of the term loan was repaid during the financial year. The outstanding amount as at end of the financial year is USD115.0 million (2015 – USD165.0 million).

33.2 Islamic financing facilities

The Islamic financing facilities of the Group include:

Unsecured

i. Commodity Murabahah Financing Facility of USD165.0 million that was drawn down on 16 March 2015 by a wholly-owned subsidiary. The outstanding amount as at end of the financial year is USD165.0 million (2015 – USD165.0 million). The profit rate of this Islamic financing facility is 0.70% plus LIBOR and is repayable in full on 13 December 2016.

ii. Commodity Murabahah Financing Facility of USD120.0 million that was drawn down on 5 May 2015 by the Company. The outstanding amount as at end of the financial year is USD120.0 million (2015 – USD120.0 million). The profit rate of this Islamic financing facility is 0.75% plus LIBOR and is repayable in full on 12 January 2018.

iii. Commodity Murabahah Financing Facility of USD330.0 million that was drawn down on 5 May 2015 by the Company. The outstanding amount as at end of the financial year is USD330.0 million (2015 – USD330.0 million). The profit rate of this Islamic financing facility is 0.88% plus LIBOR and is repayable in three (3) annual instalment of USD110.0 million each commencing 24 months from the first drawn date.

iv. Commodity Murabahah Financing Facility of EUR70.0 million that was drawn down on 21 January 2016 by a wholly-owned subsidiary. The outstanding amount as at end of the financial year is EUR70.0 million. The profit rate of this Islamic financing facility is 1.20% plus Euro Interbank Offered Rate and is repayable in two (2) annual instalment of EUR35.0 million each commencing 48 months from the first drawn date.

33. BORROWINGS (Continued)

33.3 Repayment schedule

The term loans and the Islamic financing facilities are repayable by instalments of varying amounts or upon maturity over the following periods:

	Group		Company	
In RM million	2016	2015	2016	2015
Less than 1 year	**1,565.5**	–	**441.6**	–
1 – 2 years	**923.0**	1,658.4	**923.0**	414.8
2 – 3 years	**441.7**	866.5	**441.7**	866.5
3 – 4 years	**156.4**	414.8	**–**	414.8
4 – 5 years	**156.4**	–	**–**	–
More than 5 years	**821.0**	646.9	**–**	–
	4,064.0	3,586.6	**1,806.3**	1,696.1

33.4 USD500 Million 5.25% Guaranteed Notes due 2015 ("Guaranteed Notes")

On 16 March 2005, the Company's wholly-owned subsidiary, IOI Ventures (L) Berhad, a company incorporated in the Federal Territory of Labuan under the Labuan Companies Act, 1990, issued a 10-year USD500 million Guaranteed Notes at an issue price of 99.294% (the "Guaranteed Notes"). The Guaranteed Notes were listed on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange. The Guaranteed Notes carried an interest rate of 5.25% per annum payable semi-annually in arrears on 16 March and 16 September commencing 16 March 2005 and has matured on 16 March 2015. The Guaranteed Notes were unconditionally and irrevocably guaranteed by the Company.

At initial recognition, the Guaranteed Notes were recognised in the Group's statement of financial position as follows:

In RM million	Group
Principal amount	1,900.0
Discount on issue price	(13.4)
Net proceeds received	1,886.6

On 16 March 2015, the Group redeemed and settled in full the outstanding Guaranteed Notes of USD488.9 million (being principal of USD476.4 million and interest of USD12.5 million). Following from the redemption, the Guaranteed Notes ceased to be quoted on the Singapore Exchange Securities Trading Limited and the Labuan International Financial Exchange Inc.

33. BORROWINGS (Continued)

33.4 USD500 Million 5.25% Guaranteed Notes due 2015 ("Guaranteed Notes") (Continued)

The movements of the Guaranteed Notes during the previous financial year were as follows:

	Group
In RM million	2015
At beginning of financial year	1,528.2
Redemption	(1,756.4)
Foreign currency translation differences	227.2
Interest expense	1.0
At end of financial year	–

33.5 USD600 Million 4.375% Guaranteed Notes due 2022 ("Notes")

On 15 May 2012, the Company's wholly-owned subsidiary, IOI Investment (L) Berhad ("IOI Investment"), a company incorporated in the Federal Territory of Labuan under the Labuan Companies Act, 1990, established a Euro Medium Term Note Programme, with an initial programme size of USD1.5 billion ("EMTN Programme").

Subsequently, on 27 June 2012, IOI Investment issued USD600 million 4.375% Notes due 2022 at an issue price of 99.288% ("Notes") under the EMTN Programme. The Notes are listed on the Singapore Exchange Securities Trading Limited. The Notes carry an interest rate of 4.375% per annum payable semi-annually in arrears on 27 June and 27 December commencing 27 December 2012 and will mature on 27 June 2022. The Notes are unconditionally and irrevocably guaranteed by the Company.

At initial recognition, the Notes were recognised in the Group's statement of financial position as follows:

In RM million	Group
Principal amount	1,912.2
Discount on issue price	(13.7)
Net proceeds received	1,898.5
Transaction cost	(3.8)
	1,894.7

33. BORROWINGS (Continued)

33.5 USD600 Million 4.375% Guaranteed Notes due 2022 ("Notes") (Continued)

The movements of the Notes during the financial year are as follows:

	Group	
In RM million	2016	2015
At beginning of financial year	**2,249.3**	1,911.1
Foreign currency translation differences	**145.2**	336.5
Interest expense	**2.0**	1.7
At end of financial year	**2,396.5**	2,249.3

33.6 Trade financing

Unsecured

Trade financing utilised during the financial year is subject to interest rates ranging from 0.155% to 4.190% (2015 – 0.500% to 4.260%) per annum.

33.7 Islamic revolving credit financing facilities

Unsecured

The Islamic revolving credit financing facilities (Commodity Murabahah Revolving Credit) is subject to profit rate ranging from 0.780% to 1.220% (2015 – 0.775% to 0.780%) per annum.

33.8 Finance lease obligation

The minimum lease payments under the finance lease obligation as at the end of the financial year are as follows:

	Group
In RM million	2016
Future minimum lease payments	
– not later than 1 year	**0.2**
– later than 1 year but not later than 5 years	**0.6**
– later than 5 years	**11.4**
	12.2
Less: Unexpired finance charges	**(4.1)**
Present value of minimum lease payments	**8.1**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33. BORROWINGS (Continued)

33.8 Finance lease obligation (Continued)

The present value of minimum lease payments as at the end of the financial year is recognised as follows:

	Group
In RM million	2016
Current liabilities	
– not later than 1 year	**0.2**
Non-current liabilities	
– later than 1 year and not later than 5 years	**0.6**
– later than 5 years	**7.3**
	7.9
	8.1

Included in the Group's finance lease obligation is a leased land which covers a net area of 23,767 square meters used for production purposes with unlimited lease term. The lease arrangement does not impose any restrictions concerning dividends or additional debt.

The finance lease obligation is subject to fixed interest rate of 2.00% per annum.

34. OTHER LONG TERM LIABILITIES

	Group	
In RM million	2016	2015
Retirement benefits (Note 34.1)	**64.3**	29.4

34.1 Retirement benefits

	Group	
In RM million	2016	2015
Present value of funded obligations	**659.8**	516.8
Fair value of plan assets	**(606.9)**	(509.5)
	52.9	7.3
Present value of unfunded obligations	**11.4**	22.1
Recognised liability for defined benefit obligations	**64.3**	29.4

34. OTHER LONG TERM LIABILITIES (Continued)

34.1 Retirement benefits (Continued)

Certain subsidiaries of the Company operate various defined benefit plans. The plans of the Malaysian subsidiaries are operated on an unfunded basis whilst certain foreign subsidiaries are operating on funded defined benefit plans. The benefits payable on retirement are generally based on the length of service and average salary of the eligible employees.

The last actuarial valuations for the unfunded and funded plans were carried out on 30 June 2015 and 30 June 2016 respectively.

Movements in the net liability recognised in the statements of financial position:

Group
2016

In RM million	Present value of funded obligations	Present value of unfunded obligations	Fair value of plan assets	Total
At beginning of financial year	**516.8**	**22.1**	**(509.5)**	**29.4**
Acquisition of oleochemicals business (Note 36)	**–**	**28.0**	**–**	**28.0**
Contributions to funded plans	**–**	**–**	**(26.7)**	**(26.7)**
Benefits paid	**(4.2)**	**(1.6)**	**5.0**	**(0.8)**
Expense recognised in profit or loss (Note 11(b))	**44.2**	**2.8**	**(14.9)**	**32.1**
Actuarial loss/(gain) recognised in other comprehensive income	**73.0**	**(39.3)**	**(31.0)**	**2.7**
Foreign currency translation differences	**30.0**	**(0.6)**	**(29.8)**	**(0.4)**
At end of financial year	**659.8**	**11.4**	**(606.9)**	**64.3**

Group
2015

In RM million	Present value of funded obligations	Present value of unfunded obligations	Fair value of plan assets	Total
At beginning of financial year	516.8	21.7	(502.2)	36.3
Contributions to funded plans	–	–	(36.4)	(36.4)
Benefits paid	(12.3)	(1.7)	11.9	(2.1)
Expense recognised in profit or loss (Note 11(b))	(43.1)	2.1	54.8	13.8
Actuarial loss/(gain) recognised in other comprehensive income	58.5	–	(41.6)	16.9
Foreign currency translation differences	(3.1)	–	4.0	0.9
At end of financial year	516.8	22.1	(509.5)	29.4

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

34. OTHER LONG TERM LIABILITIES (Continued)

34.1 Retirement benefits (Continued)

Expense recognised in profit or loss:

In RM million	Group 2016	Group 2015
Current service cost	**31.4**	25.2
Interest cost	**1.0**	2.0
Expected return on plan assets	**–**	3.0
Past service cost	**(0.3)**	(19.9)
Other costs	**–**	3.5
	32.1	13.8

A summary of the combined allocation of the plan assets by major asset classes is shown below:

%	Group 2016	Group 2015
Equity instruments	**44.1**	38.2
Debt instruments	**55.9**	57.1
Other	**–**	4.7
	100.0	100.0

Liability for defined benefit obligations

Principal actuarial assumptions used at the reporting period (expressed as weighted averages):

%	Group 2016	Group 2015
Discount rate	**1.6**	2.9

Sensitivity analysis

The impact on changes of each significant actuarial assumption as at the end of the reporting period is as follows:

In RM million	Group 2016	Group 2015
Discount rate increase by 0.1%	**(16.7)**	(12.3)
Discount rate decrease by 0.1%	**18.4**	13.3

35. TRADE AND OTHER PAYABLES

In RM million	Group 2016	Group 2015	Company 2016	Company 2015
Trade payables (Note 35.1)	**621.7**	311.8	**–**	–
Other payables and accruals (Note 35.2)	**507.8**	521.6	**32.9**	25.5
	1,129.5	833.4	**32.9**	25.5

35.1 Trade payables

Credit terms of trade payables vary from 14 to 60 days from date of invoice.

35.2 Other payables and accruals

In RM million	Group 2016	Group 2015	Company 2016	Company 2015
Other payables	**254.4**	293.3	**0.7**	1.1
Customer deposits and other deposits	**3.6**	6.5	**–**	–
Accruals	**249.8**	221.8	**32.2**	24.4
	507.8	521.6	**32.9**	25.5

36. ACQUISITION OF OLEOCHEMICALS BUSINESS

IOI Oleo GmbH

On 15 February 2016 ("date of acquisition"), IOI Oleo GmbH (formerly known as Alstersee 217. V V GmbH)("IOI Oleo"), an indirect wholly owned subsidiary of the Company acquired the entire oleochemicals business of Cremer Oleo GmbH & Co KG ("Cremer Oleo") in Germany. The total consideration transferred at the date of acquisition amounted to EUR91.7 million (equivalent to RM423.1 million).

The analysis of the above acquisition is summarised as follow:

Fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition

In RM million	Group
Property, plant and equipment	**194.7**
Intangible assets	**62.7**
Deferred tax assets	**6.5**
Inventories	**137.1**
Trade and other receivables	**56.3**
Trade and other payables	**(10.7)**
Retirement benefits	**(28.0)**
Total identifiable net assets	**418.6**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

36. ACQUISITION OF OLEOCHEMICALS BUSINESS (Continued)

IOI Oleo GmbH (Continued)

Net cash outflow arising from the acquisition

In RM million	Group
Total identifiable net assets	**418.6**
Goodwill arising from acquisition (Note 18.1)	**4.5**
	423.1
Less: Amount due to Cremer Oleo	**(10.7)**
Net cash outflow on acquisition, net of cash and cash equivalents acquired	**412.4**

The above acquisition has no material effect on the financial results of the Group for the current financial year as IOI Oleo's contribution to the Group's revenue and Group's profit since acquisition date is not significant.

37. LIQUIDATION OF SUBSIDIARY

Jasasinar Multimedia Sdn Bhd

A subsidiary of the Company, Jasasinar Multimedia Sdn Bhd was liquidated during the previous financial year and the analysis of the liquidation was summarised as follows:

In RM million	Group
Group share of net liabilities	–
Capital reserve arose from bonus issue in prior years	0.1
Net proceeds from liquidation	–
Gain on liquidation of a subsidiary	0.1

38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year comprise:

	Group		Company	
In RM million	2016	2015	2016	2015
Short term funds (Note 28)	**1,120.1**	1,088.9	**–**	–
Deposits with financial institutions (Note 29)	**248.7**	221.4	**128.6**	17.0
Cash and bank balances	**569.4**	478.2	**115.2**	112.9
	1,938.2	1,788.5	**243.8**	129.9

The Group has undrawn borrowing facilities of RM5,438.3 million (2015 – RM4,641.1 million) at the end of the financial year.

39. SIGNIFICANT RELATED PARTY DISCLOSURES

39.1 Identity of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operation decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

i. Direct and indirect subsidiaries as disclosed in Note 45 to the financial statements;

ii. Vertical Capacity Sdn Bhd and its holding company, Progressive Holdings Sdn Bhd, the major corporate shareholders of the Company;

iii. Associates and joint ventures as disclosed in Note 45 to the financial statements;

iv. Key management personnel, which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and

v. Affiliates, companies in which the Directors who are also the substantial shareholders of the Company have substantial shareholdings interest.

39.2 Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

In RM million	2016	2015
Group		
Associates		
Sales of oleochemical products and palm kernel oil	**534.5**	524.4
Purchases of oleochemical products	**14.6**	16.5
Rental income on storage tank	**7.4**	7.2
Affiliates		
Management fees income	**6.4**	1.3
Agency fees income	**1.2**	1.4
Purchases of palm products	**19.1**	29.7
Rental expenses	**2.5**	3.9
Company		
Subsidiaries		
Sales of palm products	**6.1**	5.7
Purchases of palm products	**2.7**	2.7
Advisory fees income	**52.0**	–
Management fees income	**–**	1.1
Management fees expenses	**5.8**	1.2
Interest income	**44.3**	65.3
Interest expense	**93.0**	121.1

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

39. SIGNIFICANT RELATED PARTY DISCLOSURES (Continued)

39.2 Significant related party transactions (Continued)

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2016 are disclosed in Note 19.2, Note 20.3 and Note 21.1 to the financial statements.

39.3 Key management personnel compensation

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
In RM million	2016	2015	2016	2015
Directors				
Fees	**0.9**	0.9	**0.9**	0.9
Remuneration	**27.3**	12.8	**27.0**	12.4
Estimated monetary value of benefits-in-kind	**0.1**	0.1	**0.1**	0.1
Total short term employee benefits	**28.3**	13.8	**28.0**	13.4
Post employment benefits	**3.2**	1.5	**3.2**	1.5
	31.5	15.3	**31.2**	14.9
Other key management personnel				
Short term employee benefits	**3.8**	3.4	**–**	–
Post employment benefits	**0.3**	0.3	**–**	–
	4.1	3.7	**–**	–

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that entities of the Group are able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity mix. The overall strategy of the Group remains unchanged from that in financial year ended 30 June 2015.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. Capital of the Group comprises equity, borrowings and other long term liabilities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, buy back shares or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2016 and 30 June 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to owners of the parent. The Group's net debt includes borrowings less cash and cash equivalents. The Group has an appropriate target gearing ratio, which is monitored by the Group on an ongoing basis.

40. CAPITAL MANAGEMENT (Continued)

	Group		Company	
In RM million	2016	2015	2016	2015
Borrowings	**7,381.2**	6,648.4	**2,163.9**	1,960.3
Less: Cash and cash equivalents	**(1,938.2)**	(1,788.5)	**(243.8)**	(129.9)
Net debt	**5,443.0**	4,859.9	**1,920.1**	1,830.4
Equity	**7,138.1**	7,069.0	**4,956.1**	4,974.2
Gearing ratio (%)	**76.25**	68.75	**38.74**	36.80

41. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including foreign currency risk, interest rate risk, price fluctuation risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its financial performance and positions. The Group operates within an established risk management framework and clearly defined guidelines that are approved by the Board of Directors.

The Group operates within an established Enterprise Risk Management framework with clearly defined policies and guidelines, which are administered via divisional Risk Management Committees. Divisional Risk Management Committees report regularly to the Audit and Risk Management Committee which oversees the management of risk in the Group on behalf of the Board of Directors.

41.1 Foreign currency risk

The Group operates internationally and is exposed to various currencies, mainly US Dollar ("USD"), Euro ("EUR"), and Japanese Yen ("JPY"). Foreign currency denominated assets and liabilities together with expected cash flows from committed purchases and sales give rise to foreign currency exposures.

The Group's foreign currency risk management objective is to minimise foreign currency exposure that gives rise to economic impact, both at transaction and reporting period translation levels.

41.1.1 Risk management approach

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country, in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign currency exposures in transactional currencies other than the functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts and options on a back-to-back basis.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.1 Foreign currency risk (Continued)

41.1.1 Risk management approach (Continued)

The downstream segment's forward contractual commitments intended to be physically settled are fully hedged with respect to its currency risk on a back-to-back basis with currency forward contracts. Where the netting of forward sales against forward purchases with matching currency risk characteristics is possible, these would first be netted before hedging the net currency exposure with forward contracts. Currency risk on forward contractual commitments with clear intention for net-cash settlement (i.e. paper trading) are not considered for hedging until the exercising of the net settlement.

The hedging methods that the Group adopts in managing its currency risk depend on the principal forms of foreign currency exposure, as discussed below:

i. Structural foreign currency exposure from its net investment in foreign operations (subsidiaries, associates, and joint ventures)

Background

The Group's foreign operations of various functional currencies when translated into its parent's reporting currency based on closing rates (for assets and liabilities) and average transaction rates (for income and expenses) at consolidation, gives rise to foreign currency translation gain or loss that will be recognised in other comprehensive income. Intragroup transactions with foreign operations involving monetary financial instruments will also result in foreign currency translation gain or loss that cannot be eliminated on consolidation, but has to be recognised either in profit or loss or in other comprehensive income. However, non-monetary financial items translated at historical exchange rates will not give rise to foreign currency risk. Resulting from its net investment in foreign operations, the Group's current and future profit stream in various foreign currencies will also be exposed to foreign currency risk.

Hedging method

Where feasible the Group would match its foreign currency borrowing with the functional currency of its foreign operations. Nevertheless, the Group considers such foreign currencies' overall fiscal position and borrowing costs before deciding on the major currency to be carried as debt in its book. In this regard, the Group has major foreign currency borrowings denominated in USD, EUR and JPY, which do not necessarily match all the functional currencies of its foreign operations. Where appropriate, exposures from mismatch in foreign currency borrowings are hedged with Cross Currency Swap.

ii. Transactional obligations or rights denominated in foreign currency

Background

The majority of the Group's transactional currency risk arises from its foreign currency based forward sales and purchases of commodity items, contracted by its subsidiaries along the palm value chain. These forward commodity contracts for "own use" purposes are non-financial instruments and are generally not recognised in the statements of financial position. However, these non-financial forward contracts denominated in foreign currency are exposed to economic risk due to currency fluctuations. Certain product-streams underlying the forward contracts are net-cash settled or have contract provisions for net-cash settlement, and these are accounted by the Group as financial instruments with fair valuation impact to its financial statements. Regardless of "own use" or fair value through profit or loss, these forward contracts on fulfilment at maturity will result in book receivables or payables in foreign currency.

41. FINANCIAL INSTRUMENTS (Continued)

41.1 Foreign currency risk (Continued)

41.1.1 Risk management approach (Continued)

ii. Transactional obligations or rights denominated in foreign currency (Continued)

Hedging method

Intra-day transactions or forward contracts in foreign currencies are first netted based on matching characteristics. The net exposure is then hedged off with vanilla foreign exchange forwards.

In general, currency exposure from foreign investments and borrowings is managed centrally at the Group HQ level, whilst currency exposure arising from transactions or contractual obligations is managed at the respective entity or business unit's level. The Group adopts an uniform Foreign Currency Risk Management Policy and Guide, which sets out the authority and limits for inception of foreign currency derivatives; types of approved foreign currency derivatives; acceptable hedging practices and methods; and over-sight structure and controls. Below are extracts of key policies:

a) Speculative positioning on foreign currency is prohibited;

b) Net currency exposure on trade transactions and forward contracts are to be hedged in full on back-to-back basis. Hedging on portfolio basis (or macro-hedging) comprising unmatched mixed maturity and amount is disallowed;

c) Inception of foreign currency derivatives as hedging instrument against forecast trade transactions in foreign currency is disallowed;

d) Hedging with foreign currency futures on traded exchanges is generally disallowed;

e) Inception of over-the-counter structured derivatives for hedging purposes are confined to HQ and each contract is subject to executive management's approval; and

f) Subsidiaries inception of foreign currency derivative for hedging purposes are confined to vanilla foreign currency forwards and plain European style foreign currency options.

The Group's entire currency exposure (as hedge items) and corresponding foreign currency derivative hedging instruments are marked-to-market and fair valued once a month primarily for operational hedge effectiveness testing and for executive management reporting and oversight. Weekly long-short positions on foreign currencies and foreign currency derivatives are also produced for timely control and intervention.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.1 Foreign currency risk (Continued)

41.1.2 Foreign currency risk exposure

The analysis of the Group's foreign currencies long/(short) positions for each class of financial instruments with separate lines on currency derivative is as follows:

In RM million Contract based currency	USD		EUR		JPY		Others	
Maturity	<1 year	>1 year	<1 year	>1 year	<1 year	>1 year	<1 year	>1 year
Group								
2016								
Financial assets in foreign currencies								
Cash and bank balances	187.4	–	60.9	–	1.1	–	70.8	–
Deposits with financial institutions	137.4	–	–	–	–	–	–	–
Trade and other receivables	470.3	–	259.5	–	11.0	–	98.3	–
Amounts due from associates	–	–	–	–	–	–	6.3	–
Derivative assets	529.2	–	–	–	–	–	–	–
Financial liabilities in foreign currencies								
Trade and other payables	(273.8)	–	(103.0)	–	–	–	(27.3)	–
Amounts due to associates	(96.7)	–	–	–	–	–	–	–
Borrowings	(2,098.3)	(3,776.9)	(352.7)	(312.9)	–	(821.0)	–	–
Derivative liabilities	(776.5)	–	–	–	–	–	(0.1)	–
Currency derivatives								
Foreign currency forwards	(835.8)	(4.7)	(79.1)	–	(21.9)	–	(97.0)	–
Structured and hybrids	401.8	(332.6)	–	(405.8)	–	821.0	–	–
Net exposure	(2,355.0)	(4,114.2)	(214.4)	(718.7)	(9.8)	–	51.0	–

41. FINANCIAL INSTRUMENTS (Continued)

41.1 Foreign currency risk (Continued)

41.1.2 Foreign currency risk exposure (Continued)

In RM million Contract based currency	USD		EUR		JPY		Others	
Maturity	<1 year	>1 year	<1 year	>1 year	<1 year	>1 year	<1 year	>1 year
Group								
2015								
Financial assets in foreign currencies								
Cash and bank balances	249.6	–	6.5	–	–	–	55.3	–
Deposits with financial institutions	2.7	–	–	–	–	–	–	–
Trade and other receivables	483.0	–	274.4	–	10.1	–	40.4	–
Amounts due from associates	–	–	–	–	–	–	0.4	–
Derivative assets	461.9	–	–	–	–	–	–	–
Financial liabilities in foreign currencies								
Trade and other payables	(185.9)	–	(76.3)	–	(0.1)	–	(15.0)	–
Amounts due to associates	(89.9)	–	–	–	–	–	(1.2)	–
Borrowings	(408.6)	(5,208.8)	(338.0)	–	–	(646.9)	–	–
Derivative liabilities	(317.0)	–	–	–	–	–	–	–
Currency derivatives								
Foreign currency forwards	(1,413.6)	(2.6)	(90.2)	–	(20.1)	–	(107.4)	–
Structured and hybrids	–	(312.5)	–	–	–	646.9	–	–
Net exposure	(1,217.8)	(5,523.9)	(223.6)	–	(10.1)	–	(27.5)	–

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.1 Foreign currency risk (Continued)

41.1.2 Foreign currency risk exposure (Continued)

In RM million Contract based currency	USD		EUR		Others	
Maturity	<1 year	>1 year	<1 year	>1 year	<1 year	>1 year
Company						
2016						
Financial assets in foreign currencies						
Cash and bank balances	**54.8**	**–**	**48.2**	**–**	**8.2**	**–**
Deposits with financial institutions	**128.6**	**–**	**–**	**–**	**–**	**–**
Amounts due from subsidiaries	**5.7**	**–**	**365.9**	**–**	**10.4**	**–**
Financial liabilities in foreign currencies						
Borrowings	**(799.6)**	**(1,366.1)**	**–**	**–**	**–**	**–**
Amounts due to subsidiaries	**(330.3)**	**(601.1)**	**–**	**–**	**–**	**–**
Currency derivatives						
Structured and hybrids	**–**	**401.8**	**–**	**(405.8)**	**–**	**–**
Net exposure	**(940.8)**	**(1,565.4)**	**414.1**	**(405.8)**	**18.6**	**–**

In RM million Contract based currency	USD		EUR		Others	
Maturity	<1 year	>1 year	<1 year	>1 year	<1 year	>1 year
Company						
2015						
Financial assets in foreign currencies						
Cash and bank balances	104.8	–	2.3	–	–	–
Amounts due from subsidiaries	49.7	–	490.6	–	–	–
Financial liabilities in foreign currencies						
Borrowings	(264.2)	(1,698.5)	–	–	–	–
Amounts due to subsidiaries	(27.7)	(844.0)	–	–	–	–
Net exposure	(137.4)	(2,542.5)	492.9	–	–	–

41. FINANCIAL INSTRUMENTS (Continued)

41.1 Foreign currency risk (Continued)

41.1.2 Foreign currency risk exposure (Continued)

i. The Group is net short in USD by USD1.6 billion (equivalent to RM6.5 billion) (2015 – USD1.8 billion (equivalent to RM6.7 billion)) where USD1.0 billion (equivalent to RM4.1 billion) (2015 – USD1.5 billion (equivalent to RM5.5 billion)) is due beyond 12 months. This short position is expected to be met from its future revenue stream mainly denominated in USD;

ii. The foreign currency long-short mismatch between forward commodity contracts (as hedge items) and foreign currency forward derivative (as hedging instruments) is attributed to intragroup forward commodity sales and purchases that give rise to net currency exposure at the entity level. Foreign currency long-short position from forward commodity contracts of both related entities are eliminated on consolidation (but not necessarily its fair value gain or loss arising from foreign currency) i.e. leaving behind the currency long short on foreign currency forward derivative.

The currency swap contracts of the Group and the Company are as follows:

Group
2016

i. Cross currency swaps to swap JPY liability of JPY21.0 billion to USD liability of USD182.7 million. These were entered into as a cashflow hedge for the Group's principal repayment for the loan obtained. The effective period for these cross currency swaps is from January 2007 to February 2038.

ii. Cross currency swaps to swap floating rate USD liability of USD100.0 million to fixed rate RM liability of RM302.0 million. These were entered into as a cashflow hedge for the Group's principal repayment for the loan obtained. The effective period for these cross currency swaps is from March 2012 to December 2016.

iii. Cross currency swaps to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.9 million. These were entered into as a net investments hedge against the Group's Euro denominated assets. The effective period for these cross currency swaps is from August 2015 to June 2022.

2015

i. Cross currency swaps to swap JPY liability of JPY21.0 billion to USD liability of USD182.7 million. These were entered into as a cashflow hedge for the Group's principal repayment for the loan obtained. The effective period for these cross currency swaps is from January 2007 to February 2038.

ii. Cross currency swaps to swap floating rate USD liability of USD100.0 million to fixed rate RM liability of RM302.0 million. These were entered into as a cashflow hedge for the Group's principal repayment for the loan obtained. The effective period for these cross currency swaps is from March 2012 to December 2016.

Company
2016

i. Cross currency swaps to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.9 million. These were entered into as a net investments hedge against the Group's Euro denominated assets. The effective period for these cross currency swaps is from August 2015 to June 2022.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.1 Foreign currency risk (Continued)

41.1.3 Sensitivity analysis

The Group's exposure to foreign currency risk primarily from foreign currency denominated borrowings. A 1,000 pips increase or decrease in foreign currency rate of foreign currency denominated borrowings would have equally decreased or increased the profit for the Group and the Company by approximately RM125.1 million (2015 – RM152.8 million) and RM53.9 million (2015 – RM51.9 million) respectively.

41.2 Interest rate risk

The Group's interest rate risk arises from its interest bearing financial instruments that could impact fair value and future cash flows due to fluctuation in market interest rates.

The Group's objective on interest rate risk management is to achieve a balance in repricing risks and the optimisation of its cost of funds whilst ensuring sufficient liquidity to meet funding needs.

41.2.1 Risk management approach

The Group actively reviews its debt portfolio, taking into account the nature and requirements of its businesses as well as the current business and economic environment. This strategy allows it to achieve an optimum cost of capital whilst locking in long term funding rates for long term investments.

Funds held for liquidity purposes and temporary surpluses are placed in short term interest bearing financial instruments. Changes in market interest rates will be re-priced immediately into these floating interest bearing financial instruments.

41.2.2 Interest rate risk exposure

The following tables set-out the carrying amounts, the weighted average effective interest rates as at the end of the financial year and the remaining repricing brackets of the Group's and Company's financial instruments that are exposed to interest rate risk:

		Repricing Brackets					Total	
In RM million	Note	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	Weighted average effective interest rate %
Group								
2016								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	28	**1,120.1**	–	–	–	–	**1,120.1**	***3.60***
Deposits with financial institutions	29	**248.7**	–	–	–	–	**248.7**	***1.85***
Amounts due from joint ventures	21.1	–	**25.7**	–	–	–	**25.7**	***3.50***
		1,368.8	**25.7**	–	–	–	**1,394.5**	
Floating rate instruments								
Cash and bank balances		**569.4**	–	–	–	–	**569.4**	***1.72***
		569.4	–	–	–	–	**569.4**	
Total assets repricing		**1,938.2**	**25.7**	–	–	–	**1,963.9**	

41. FINANCIAL INSTRUMENTS (Continued)

41.2 Interest rate risk (Continued)

41.2.2 Interest rate risk exposure (Continued)

		Repricing Brackets					Total	
In RM million	Note	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	Weighted average effective interest rate %
Group								
2016								
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	33.1	–	–	–	–	821.0	821.0	*5.15*
Notes	33.5	–	–	–	–	2,396.5	2,396.5	*4.49*
Trade financing	33.6	555.0	–	–	–	–	555.0	*0.27*
Finance lease obligation	33.8	0.2	0.2	0.1	0.1	7.5	8.1	*2.00*
Islamic revolving credit financing facilities	33.7	357.6	–	–	–	–	357.6	*1.00*
		912.8	0.2	0.1	0.1	3,225.0	4,138.2	
Floating rate instruments								
Amount due to associates	20.3	96.7	–	–	–	–	96.7	*5.50*
Islamic financing facilities	33.2	2,781.7	–	–	–	–	2,781.7	*2.10*
Term loans	33.1	461.3	–	–	–	–	461.3	*1.31*
		3,339.7	–	–	–	–	3,339.7	
Total liabilities repricing		4,252.5	0.2	0.1	0.1	3,225.0	7,477.9	
Net repricing gap		(2,314.3)	25.5	(0.1)	(0.1)	(3,225.0)	(5,514.0)	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.2 Interest rate risk (Continued)

41.2.2 Interest rate risk exposure (Continued)

		Repricing Brackets					Total	
In RM million	Note	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	Weighted average effective interest rate %
Group								
2015								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	28	1,088.9	–	–	–	–	1,088.9	*3.59*
Deposits with financial institutions	29	221.4	–	–	–	–	221.4	*2.81*
Amounts due from joint ventures	21.1	–	–	24.0	–	–	24.0	*3.50*
		1,310.3	–	24.0	–	–	1,334.3	
Floating rate instruments								
Cash and bank balances		478.2	–	–	–	–	478.2	*1.29*
		478.2	–	–	–	–	478.2	
Total assets repricing		1,788.5	–	24.0	–	–	1,812.5	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	33.1	–	–	–	–	646.9	646.9	*5.36*
Notes	33.5	–	–	–	–	2,249.3	2,249.3	*4.49*
Trade financing	33.6	548.3	–	–	–	–	548.3	*0.71*
Islamic revolving credit financing facilities	33.7	264.2	–	–	–	–	264.2	*0.74*
		812.5	–	–	–	2,896.2	3,708.7	
Floating rate instruments								
Amount due to associates	20.3	91.1	–	–	–	–	91.1	*5.25*
Islamic financing facilities	33.2	2,318.9	–	–	–	–	2,318.9	*2.25*
Term loans	33.1	620.8	–	–	–	–	620.8	*1.69*
		3,030.8	–	–	–	–	3,030.8	
Total liabilities repricing		3,843.3	–	–	–	2,896.2	6,739.5	
Net repricing gap		(2,054.8)	–	24.0	–	(2,896.2)	(4,927.0)	

41. FINANCIAL INSTRUMENTS (Continued)

41.2 Interest rate risk (Continued)

41.2.2 Interest rate risk exposure (Continued)

		Repricing Brackets					Total	
In RM million	Note	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	Weighted average effective interest rate %
Company								
2016								
Interest bearing financial assets								
Fixed rate instruments								
Amounts due from subsidiaries	19.2	845.7	–	–	–	–	845.7	4.71
Deposits with financial institutions	29	128.6	–	–	–	–	128.6	0.83
Amounts due from joint ventures	21.1	–	25.7	–	–	–	25.7	3.50
		974.3	25.7	–	–	–	1,000.0	
Floating rate instruments								
Cash and bank balances		115.2	–	–	–	–	115.2	0.69
		115.2	–	–	–	–	115.2	
Total assets repricing		1,089.5	25.7	–	–	–	1,115.2	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	19.2	1,302.9	–	–	–	601.1	1,904.0	3.98
Islamic revolving credit financing facilities	33.7	357.6	–	–	–	–	357.6	1.00
		1,660.5	–	–	–	601.1	2,261.6	
Floating rate instruments								
Islamic financing facilities	33.2	1,806.3	–	–	–	–	1,806.3	2.34
		1,806.3	–	–	–	–	1,806.3	
Total liabilities repricing		3,466.8	–	–	–	601.1	4,067.9	
Net repricing gap		(2,377.3)	25.7	–	–	(601.1)	(2,952.7)	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.2 Interest rate risk (Continued)

41.2.2 Interest rate risk exposure (Continued)

		Repricing Brackets					Total	
In RM million	Note	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	Weighted average effective interest rate %
Company								
2015								
Interest bearing financial assets								
Fixed rate instruments								
Amounts due from subsidiaries	19.2	933.2	–	–	–	–	933.2	*6.31*
Deposits with financial institutions	29	17.0	–	–	–	–	17.0	*1.22*
Amounts due from joint ventures	21.1	–	–	24.0	–	–	24.0	*3.50*
		950.2	–	24.0	–	–	974.2	
Floating rate instruments								
Cash and bank balances		112.9	–	–	–	–	112.9	*2.65*
		112.9	–	–	–	–	112.9	
Total assets repricing		1,063.1	–	24.0	–	–	1,087.1	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	19.2	826.9	581.3	–	–	564.7	1,972.9	*5.13*
Islamic revolving credit financing facilities	33.7	264.2	–	–	–	–	264.2	*0.74*
		1,091.1	581.3	–	–	564.7	2,237.1	
Floating rate instruments								
Islamic financing facilities	33.2	1,696.1	–	–	–	–	1,696.1	*2.37*
		1,696.1	–	–	–	–	1,696.1	
Total liabilities repricing		2,787.2	581.3	–	–	564.7	3,933.2	
Net repricing gap		(1,724.1)	(581.3)	24.0	–	(564.7)	(2,846.1)	

41. FINANCIAL INSTRUMENTS (Continued)

41.2 Interest rate risk (Continued)

41.2.2 Interest rate risk exposure (Continued)

The interest rate swap contracts of the Group and the Company are as follows:

Group
2016

i. Interest rate swaps to swap notional principal amount of USD300.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for these interest rate swaps is from October 2010 to October 2017.

ii. Interest rate swap to swap notional principal amount of USD74.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for this interest rate swap is from December 2011 to December 2016.

2015

i. Interest rate swaps to swap notional principal amount of USD450.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for these interest rate swaps is from October 2010 to October 2017.

ii. Interest rate swap to swap notional principal amount of USD74.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for this interest rate swap is from December 2011 to December 2016.

Company
2016

i. Interest rate swaps to swap notional principal amount of USD300.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for these interest rate swaps is from October 2010 to October 2017.

2015

i. Interest rate swaps to swap notional principal amount of USD450.0 million from floating interest rate to fixed interest rate to hedge against interest rate fluctuations. The effective period for these interest rate swaps is from October 2010 to October 2017.

41.2.3 Sensitivity analysis

Sensitivity analysis on interest rate is applied on floating rate financial instruments only, as the carrying amount of fixed rate financial instruments are measured at amortised cost.

A 50 basis points increase or decrease in interest rates would have equally decreased or increased the profits for the Group and the Company by approximately RM0.2 million (2015 – RM0.6 million) and RM0.6 million (2015 – RM0.6 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.3 Price fluctuation risk

The Group's plantation and resource-based manufacturing segments are inversely exposed to price fluctuation risk on sales and purchases of vegetable oil commodities. These two (2) operating segments enter into commodity future contracts with the objective of managing and hedging their respective exposures to price volatility in the commodity markets.

The Group's objective on price risk management is to limit the Group's exposure to fluctuations in market prices and to achieve expected margins on revenue.

41.3.1 Risk management approach

The Group manages its price fluctuation risk by having strict policies and procedures governing forward and futures positions with dynamic limits on volume and tenure, mark-to-market losses, and on approvals. The Group's marketing and trading operations are centralised, and the long-short and mark-to-market positions are monitored daily and reported to Senior Management weekly.

The Group's commodity price risk management activities are integrated with its commodity sales and marketing activities, which is centralised at the corporate level. The operation is governed by formalised policies and procedures of which an outline is extracted below:

i. Forward sales commitment is limited to certain forward periods (generally two (2) – five (5) months, depending on product type);

ii. Volume that can be committed to forward sales is limited to a certain percentage of forecast production (generally not exceeding 70% of monthly production, depending on product type);

iii. Forward contracts can only be incepted with pre-approved counter-parties. (Limits on volume and forward period are further established for each counter-party);

iv. Commodity futures can only be traded by authorised officers with established volume limits; and

v. Each portfolio (by product category and legal entity) is subject to further limits on net volume exposure, payment exposure and net mark-to-market fair value ("MTM FV") loss limit (that serves as trigger for intervention).

Trade positions are compiled daily, and mark-to-market fair value is reviewed weekly. An exposure report on the Group's total long-short position (of all physical contracts, futures contracts and uncommitted inventory) with mark-to-market fair value is produced monthly for executive oversight.

41. FINANCIAL INSTRUMENTS (Continued)

41.3 Price fluctuation risk (Continued)

41.3.2 Price risk exposure

Detailed in the table below is a summary of the Group's financial instruments subject to price risk along with their contract values and mark-to-market fair value on closing, plus fair value recognised over the financial year.

	Contract and Notional value			Fair value attributed to price changes at period closing		
In RM million	<1 year	>1 year	Total	<1 year	>1 year	Total
Group						
2016						
Commodity based						
Forward sales contracts	**(858.5)**	**–**	**(858.5)**	**39.6**	**–**	**39.6**
Forward purchase contracts	**1,143.2**	**–**	**1,143.2**	**(41.8)**	**–**	**(41.8)**
Commodity derivatives	**52.2**	**–**	**52.2**	**(0.7)**	**–**	**(0.7)**
Equity based						
Other investments	**81.2**	**–**	**81.2**	**104.2**	**–**	**104.2**
				101.3	**–**	**101.3**
2015						
Commodity based						
Forward sales contracts	(844.9)	–	(844.9)	17.5	–	17.5
Forward purchase contracts	810.8	–	810.8	(3.2)	–	(3.2)
Commodity derivatives	52.1	–	52.1	(6.3)	–	(6.3)
Equity based						
Other investments	81.5	–	81.5	107.2	–	107.2
				115.2	–	115.2
Company						
2016						
Equity based						
Other investments	**4.4**	**–**	**4.4**	**4.1**	**–**	**4.1**
				4.1	**–**	**4.1**
2015						
Equity based						
Other investments	4.6	–	4.6	4.2	–	4.2
				4.2	–	4.2

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.3 Price fluctuation risk (Continued)

41.3.3 Sensitivity analysis

The Group's exposure to price volatility was derived from palm products and other investment. If the price changes by 7.5%, profit or loss for the Group and the Company would have equally increased or decreased by approximately RM33.1 million (2015 – RM9.4 million) and RM0.3 million (2015 – RM0.3 million) respectively.

41.4 Credit risk

The Group's credit risk exposure is mainly related to external counter-party credit risk on monetary financial assets and trade credits. Credit risk is managed at the business unit level, but macro Group-wide policies on the granting of credit and credit control are issued and monitored centrally, such as those relating to credit risk concentration, adequacy of formal credit rating and evaluation of counter parties, credit impairment and unit level credit control performance.

Credit risk from monetary financial assets is generally low as the counter-parties involved are strongly rated financial institutions or authorised exchanges. The Group does not extend any loans or financial guarantees to third parties except for its own subsidiaries and joint ventures.

The Group's objective on credit risk management is to avoid significant exposure to any individual customer or counter party and to minimise concentration of credit risk.

41.4.1 Risk management approach

Credit risk or financial loss from the failure of customers or counter parties to discharge their financial and contractual obligations from trade credits is managed through the application of credit approvals, credit limits, insurance programmes and monitoring procedures on an on-going basis. If necessary, the Group may obtain collateral from counter parties as a means of mitigating losses in the event of default.

The Group's credit risk varies with the different classes of counter-parties as outlined below:

i. Plantation and resource-based manufacturing

Most of the upstream sales are intragroup to downstream "resource-based manufacturing". Upstream sales to external parties are mainly payment on delivery and/or secured with trade-financing documentation. Resource-based manufacturing sales are mostly to external parties with credit terms ranging from 30 to 90 days – and across global markets of varying sovereign risk. The Group also engages in forwards sales (and forward procurement of feedstock). Such forward contracts may have positive fair valuation giving rise to counter-party default risk.

Policies and procedures

a) Customers are assessed for credit and sovereign nation risks (where applicable) on both quantitative and qualitative elements prior to the approval of credit exposure and limits. In this regard, external credit rating services such as Standard & Poor's or Dun & Bradstreet are used. Where customers are approved for forward physical contracts, limits on contractual forward periods and value are established. Regular reviews are made;

b) Credit risk authority is decentralised to the respective entities' credit committee – but supervised centrally at the corporate level; and

c) Credit exposure is monitored on limits and ageing, managed and reviewed periodically. Customers with emerging credit problems are identified early and remedial actions are taken promptly to minimise further exposure and to restore past due status.

41. FINANCIAL INSTRUMENTS (Continued)

41.4 Credit risk (Continued)

41.4.1 Risk management approach (Continued)

i. Plantation and resource-based manufacturing (Continued)

Collateral and credit enhancement

In general, a combination of:

a) Corporate guarantee may be required for globe-wide credit facilities for multinational corporations;

b) Cash deposits/advance may be required for certain customers or orders;

c) Transactional documentation (i.e. Letter of Credit or Cash against Document) for export sales; and

d) Credit insurance coverage (up to certain established limits) for downstream Oleochemicals and Specialty Fats' credit sales – leaving some credit exposure on declined coverage and those beyond approved limits.

ii. Financial institutions and Exchanges

The Group places its working capital and surplus funds in current account, money market, and time-deposits with banks; and in security papers and investment trusts managed by licensed institutions. The Group also enters into financial derivative contracts with licensed financial institutions, and in commodity futures contracts with licensed Exchanges for hedging purposes. Beyond the minimal deposit guarantee offered by certain sovereign nation's deposit insurance schemes, the Group is exposed to a degree of counter-parties' credit risk in times of severe economic or financial crisis.

Policies and procedures

a) Funds are placed only with licensed financial institutions with credit rating of "A- and above". Similar requirement is enforced on counter-parties for financial derivatives in addition to the mandatory International Swaps and Derivatives Association master agreements;

b) Funds placements are centrally monitored, and where applicable are spread out based on location needs; and

c) Commodity futures are incepted only with main licensed Exchanges.

Collateral and credit enhancement

In general, a combination of:

a) National deposit insurance; and

b) Fidelity guarantee

In general, all business units in the Group have a comprehensive policy that governs the need for formal credit rating system and evaluation on counter parties prior to any contractual arrangement that would result in credit risk exposure. Besides exposure amount, credit risk is also measured and monitored by way of credit quality segregation, past due ageing analysis, and limits breach alerts. Reviews on credit impairment needs are made quarterly based on objective evidence of loss events.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.4 Credit risk (Continued)

41.4.2 Credit risk exposures and concentration

The Group's credit risks are mainly on financial assets relating to trade receivables, cash deposits, and securities placement and investments as summarised in the table below for both the Group and Company level.

In RM million	Note	Maximum exposure	Collateral and enhancement obtained	Net exposure to credit risk	Collateral or credit enhancement obtained
Group					
2016					
Financial assets					
Cash and bank balances		**569.4**	**–**	**569.4**	(i) Fidelity guarantee and cash-in-transit insurance cover; and (ii) Banks' limited guarantee of deposits
Deposits with financial institutions	29	**248.7**	**–**	**248.7**	
Trade and other receivables, excluded deposits and prepayments		**1,045.7**	**469.6**	**576.1**	Letter of credit and credit insurance
Other investments	27	**104.2**	**–**	**104.2**	
Short term funds	28	**1,120.1**	**–**	**1,120.1**	
Amounts due from associates	20.3	**6.4**	**–**	**6.4**	
Amount due from joint ventures	21.1	**25.7**	**–**	**25.7**	
Derivative assets	22	**381.2**	**–**	**381.2**	
		3,501.4	**469.6**	**3,031.8**	
2015					
Financial assets					
Cash and bank balances		478.2	–	478.2	(i) Fidelity guarantee and cash-in-transit insurance cover; and (ii) Banks' limited guarantee of deposits
Deposits with financial institutions	29	221.4	–	221.4	
Trade and other receivables, excluded deposits and prepayments		937.3	387.1	550.2	Letter of credit and credit insurance
Other investments	27	107.2	–	107.2	
Short term funds	28	1,088.9	–	1,088.9	
Amounts due from associates	20.3	0.5	–	0.5	
Amount due from joint ventures	21.1	24.0	–	24.0	
Derivative assets	22	179.8	–	179.8	
		3,037.3	387.1	2,650.2	

41. FINANCIAL INSTRUMENTS (Continued)

41.4 Credit risk (Continued)

41.4.2 Credit risk exposures and concentration (Continued)

In RM million	Note	Maximum exposure	Collateral and enhancement obtained	Net exposure to credit risk	Collateral or credit enhancement obtained
Company					
2016					
Financial assets					
Cash and bank balances		**115.2**	**–**	**115.2**	
Deposits with financial institutions	29	**128.6**	**–**	**128.6**	
Other investments	27	**4.1**	**–**	**4.1**	
Amounts due from subsidiaries	19.2	**845.7**	**–**	**845.7**	
Amount due from joint ventures	21.1	**25.7**	**–**	**25.7**	
Derivative assets	22	**2.2**	**–**	**2.2**	
		1,121.5	**–**	**1,121.5**	
2015					
Financial assets					
Cash and bank balances		112.9	–	112.9	
Deposits with financial institutions	29	17.0	–	17.0	
Other receivables, excluded deposits and prepayment		0.2	–	0.2	
Other investments	27	4.2	–	4.2	
Amounts due from subsidiaries	19.2	933.2	–	933.2	
Amount due from joint ventures	21.1	24.0	–	24.0	
		1,091.5	–	1,091.5	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.4 Credit risk (Continued)

41.4.2 Credit risk exposures and concentration (Continued)

The table below outlines the credit quality analysis of the Group's and the Company's financial assets together with the impairment charge for the year.

In RM million	Neither past due nor impaired			Renegotiated	Past due but not impaired	Total	Impairment charged in reporting period	Impairment at end of reporting period
	Strong	Medium	Weak					
Group								
2016								
Cash and bank balances	**569.4**	**–**	**–**	**–**	**–**	**569.4**	**–**	**–**
Deposits with financial institutions	**248.7**	**–**	**–**	**–**	**–**	**248.7**	**–**	**–**
Trade and other receivables, excluded deposits and prepayments	**740.6**	**190.4**	**18.2**	**–**	**96.5**	**1,045.7**	**2.9**	**14.0**
Other investments	**104.2**	**–**	**–**	**–**	**–**	**104.2**	**–**	**–**
Short term funds	**1,120.1**	**–**	**–**	**–**	**–**	**1,120.1**	**–**	**–**
Amounts due from associates	**6.4**	**–**	**–**	**–**	**–**	**6.4**	**–**	**–**
Amount due from joint ventures	**25.7**	**–**	**–**	**–**	**–**	**25.7**	**–**	**–**
Derivative assets	**381.2**	**–**	**–**	**–**	**–**	**381.2**	**–**	**–**
	3,196.3	**190.4**	**18.2**	**–**	**96.5**	**3,501.4**	**2.9**	**14.0**
2015								
Cash and bank balances	478.2	–	–	–	–	478.2	–	–
Deposits with financial institutions	221.4	–	–	–	–	221.4	–	–
Trade and other receivables, excluded deposits and prepayments	598.6	225.4	7.5	–	105.8	937.3	0.6	11.3
Other investments	107.2	–	–	–	–	107.2	–	–
Short term funds	1,088.9	–	–	–	–	1,088.9	–	–
Amounts due from associates	0.5	–	–	–	–	0.5	–	–
Amount due from joint ventures	24.0	–	–	–	–	24.0	–	–
Derivative assets	179.8	–	–	–	–	179.8	–	–
	2,698.6	225.4	7.5	–	105.8	3,037.3	0.6	11.3

41. FINANCIAL INSTRUMENTS (Continued)

41.4 Credit risk (Continued)

41.4.2 Credit risk exposures and concentration (Continued)

In RM million	Neither past due nor impaired						Impairment charged in reporting period	Impairment at end of reporting period
	Strong	Medium	Weak	Renegotiated	Past due but not impaired	Total		
Company								
2016								
Cash and bank balances	**115.2**	–	–	–	–	**115.2**	–	–
Deposits with financial institutions	**128.6**	–	–	–	–	**128.6**	–	–
Other investments	**4.1**	–	–	–	–	**4.1**	–	–
Amounts due from subsidiaries	**845.7**	–	–	–	–	**845.7**	–	**1.5**
Amount due from joint ventures	**25.7**	–	–	–	–	**25.7**	–	–
Derivative assets	**2.2**	–	–	–	–	**2.2**	–	–
	1,121.5	–	–	–	–	**1,121.5**	–	**1.5**
2015								
Cash and bank balances	112.9	–	–	–	–	112.9	–	–
Deposits with financial institutions	17.0	–	–	–	–	17.0	–	–
Other receivables, excluded deposits and prepayments	0.2	–	–	–	–	0.2	–	–
Other investments	4.2	–	–	–	–	4.2	–	–
Amounts due from subsidiaries	933.2	–	–	–	–	933.2	–	1.5
Amount due from joint ventures	24.0	–	–	–	–	24.0	–	–
	1,091.5	–	–	–	–	1,091.5	–	1.5

Credit quality is analysed into the categories of Strong, Medium and Weak, whereby:
Strong = Strong financial standing, low probability of default
Medium = Low to moderate risk of default
Weak = Weak financial standing, history of past due

From the above table, more than 85% in value of the Group's financial assets are of "strong" credit quality, with only the "receivables" class having past due and impairment. Besides the objective evidence of loss events, it is also the Group's policy to provide impairment for any amount past due in ageing brackets above 120 days unless supported by valid reasons. The following table provides an ageing analysis of past due but not impaired alongside with the rationale for deferment of impairment on those past due above 120 days.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.4 Credit risk (Continued)

41.4.2 Credit risk exposures and concentration (Continued)

	Past due but not impaired						Estimated fair values of collateral and credit enhancement held
In RM million	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	>120 days	Total	
Group							
2016							
Trade receivables	**75.3**	**12.5**	**0.9**	**0.7**	**4.0**	**93.4**	**34.5**
Other receivables	**0.4**	**0.7**	**0.2**	**0.8**	**1.0**	**3.1**	**–**
	75.7	**13.2**	**1.1**	**1.5**	**5.0**	**96.5**	**34.5**
2015							
Trade receivables	102.5	2.6	0.4	0.1	–	105.6	43.9
Other receivables	–	0.2	–	–	–	0.2	–
	102.5	2.8	0.4	0.1	–	105.8	43.9

Receivables of the Group that are past due but not impaired are merely represented by reputable organisations.

The amount past due with ageing brackets above 120 days are from active corporate clients with healthy business relationship for whom there are no recent histories of default and there are no concerns on the credit worthiness of the counter parties and the recoverability of these debts.

It is the Group's policy to monitor the financial standing of these receivables on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

41. FINANCIAL INSTRUMENTS (Continued)

41.4 Credit risk (Continued)

41.4.2 Credit risk exposures and concentration (Continued)

The credit risk concentration of the Group is mainly in the "receivables" class, except for deposits and prepayments, and this is further analysed below to reveal the credit risk concentration by geographic location and business segment.

	Plantation		Resource-based manufacturing		Others		Total	
In RM million	Amount	%	Amount	%	Amount	%	Amount	%
Group								
2016								
Malaysia	**22.4**	**31**	**131.8**	**14**	**2.7**	**100**	**156.9**	**15**
Europe	**–**	**–**	**403.7**	**42**	**–**	**–**	**403.7**	**39**
Asia (excluding Malaysia)	**49.7**	**69**	**141.3**	**15**	**–**	**–**	**191.0**	**18**
Others	**–**	**–**	**294.1**	**29**	**–**	**–**	**294.1**	**28**
	72.1	**100**	**970.9**	**100**	**2.7**	**100**	**1,045.7**	**100**
2015								
Malaysia	34.3	70	117.1	13	5.8	100	157.2	17
Europe	7.7	16	345.2	39	–	–	352.9	38
Asia (excluding Malaysia)	6.7	14	153.5	18	–	–	160.2	17
Others	–	–	267.0	30	–	–	267.0	28
	48.7	100	882.8	100	5.8	100	937.3	100

	Company			
	2016		2015	
In RM million	Amount	%	Amount	%
Malaysia	**18.1**	***2***	41.8	*5*
Asia (excluding Malaysia)	**461.7**	***55***	355.7	*38*
Central and Eastern Europe	**365.9**	***43***	535.9	*57*
	845.7	***100***	933.4	*100*

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.5 Liquidity and cash flow risk

Liquidity or cash flow risk arises when financial resources are insufficient to meet financial obligations as and when they fall due, or have to be met at excessive cost. The Group's liquidity risk includes non-financial instruments and forward contract obligations.

The Group's liquidity risk management objective is to ensure that all foreseeable funding commitments can be met as and when due and in a cost-effective manner.

41.5.1 Risk management approach

The Group leverages on IOI Corporation Berhad as the public listed parent company whereby treasury related activities are centralised and where the optimal weighted-average-costs-of funds is managed. The parent company plays a central liquidity management role where the Group's longer term funding requirements are managed based on business and liquidity needs, whilst the day-to-day operational liquidity needs are decentralised at the business unit level. The Group practises an arm's-length market based policy with regard to funding costs and encourages its business units to seek localised trade financing facilities where appropriate.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure all operating, investing and financing needs are met. To mitigate liquidity risk, management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and investment activities. In addition, the Group strives to maintain available banking facilities at a reasonable level against its overall debt position.

The Group manages its liquidity risk with a combination of the following methods:

i. Maintain a balanced contractual maturity profile of financial assets to meet financial liabilities (particularly on near and immediate term maturity);

ii. Maintain a diversified range of funding sources with adequate back-up facilities;

iii. Maintain debt financing and servicing plan; and

iv. Maintain medium to long term cash flow planning incorporating funding positions and requirements of all its subsidiaries.

As the Group's policy, all business units conform to the following processes in ensuring its liquidity profiles are balanced and that all its obligations can be met when due:

i. Perform annual cash flow budgeting and medium term cash flow planning, in which the timing of operational cash flows and its resulting surplus or deficit is reasonably determined. (Such aggregation allows for an overview of the Group's forecasted cash flow and liquidity position, which in-turn facilitates further consolidated cash flow planning);

ii. Manage contingent liquidity commitment and exposures;

iii. Monitor liquidity ratios against internal thresholds;

iv. Manage working capital for efficient use of tied-in funds and optimise cash conversion cycle; and

v. Manage concentration and maturity profile of both financial and non-financial liabilities.

41. FINANCIAL INSTRUMENTS (Continued)

41.5 Liquidity and cash flow risk (Continued)

41.5.2 Liquidity risk exposure

The following table details the maturity profile of the Group's and the Company's financial liabilities at the end of the financial year based on contractual undiscounted repayment obligations.

In RM million	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Total
Group						
2016						
Financial liabilities						
Trade and other payables	**885.4**	**–**	**–**	**–**	**–**	**885.4**
Borrowings	**2,479.8**	**924.3**	**442.1**	**156.6**	**3,395.7**	**7,398.5**
Amounts due to associates	**96.7**	**–**	**–**	**–**	**–**	**96.7**
Derivative liabilities – net settlement	**94.5**	**13.3**	**–**	**–**	**–**	**107.8**
	3,556.4	**937.6**	**442.1**	**156.6**	**3,395.7**	**8,488.4**
2015						
Financial liabilities						
Trade and other payables	697.6	–	–	–	–	697.6
Borrowings	812.5	1,660.8	868.1	415.2	2,911.6	6,668.2
Amounts due to associates	91.1	–	–	–	–	91.1
Derivative liabilities – net settlement	123.8	3.1	26.8	–	–	153.7
	1,725.0	1,663.9	894.9	415.2	2,911.6	7,610.6
Company						
2016						
Financial liabilities						
Trade and other payables	**10.9**	**–**	**–**	**–**	**–**	**10.9**
Borrowings	**799.6**	**924.1**	**442.0**	**–**	**–**	**2,165.7**
Amounts due to subsidiaries	**1,302.9**	**–**	**–**	**–**	**601.1**	**1,904.0**
Derivative liabilities – net settlement	**–**	**13.3**	**–**	**–**	**–**	**13.3**
	2,113.4	**937.4**	**442.0**	**–**	**601.1**	**4,093.9**
2015						
Financial liabilities						
Trade and other payables	24.8	–	–	–	–	24.8
Borrowings	264.2	415.2	868.1	415.2	–	1,962.7
Amounts due to subsidiaries	826.9	581.3	–	–	564.7	1,972.9
Derivative liabilities – net settlement	–	–	26.8	–	–	26.8
	1,115.9	996.5	894.9	415.2	564.7	3,987.2

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.5 Liquidity and cash flow risk (Continued)

41.5.2 Liquidity risk exposure (Continued)

i. The Group and the Company maintain a level of cash and cash equivalents and banking facilities that is adequate to meet its financial liabilities and obligations maturing in the next 12 months; and

ii. Financial liabilities contractual maturity periods exceeding 12 months are within comfortable levels, and should be well covered by its annual free cash flow to be generated from its operations.

41.6 Fair values

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value of financial instruments carried at fair value			
	Hierarchy of the underlying variable input used in measuring fair valuation			
In RM million	Level 1	Level 2	Level 3	Total
Group				
2016				
Derivatives				
Forward foreign exchange contracts	–	**40.1**	–	**40.1**
Commodity forward contracts	–	**(2.2)**	–	**(2.2)**
Commodity futures	**(0.7)**	–	–	**(0.7)**
Cross currency swap contract	–	**250.5**	–	**250.5**
Interest rate swap contracts	–	**(14.3)**	–	**(14.3)**
Equity based				
Other investments	**96.8**	–	**7.4**	**104.2**
Short term funds	**1,120.1**	–	–	**1,120.1**
	1,216.2	**274.1**	**7.4**	**1,497.7**

41. FINANCIAL INSTRUMENTS (Continued)

41.6 Fair values (Continued)

Fair value hierarchy (Continued)

	Fair value of financial instruments carried at fair value			
	Hierarchy of the underlying variable input used in measuring fair valuation			
In RM million	Level 1	Level 2	Level 3	Total
Group				
2015				
Derivatives				
Forward foreign exchange contracts	–	(91.1)	–	(91.1)
Commodity forward contracts	–	14.3	–	14.3
Commodity futures	(6.3)	–	–	(6.3)
Cross currency swap contract	–	138.7	–	138.7
Interest rate swap contracts	–	(29.5)	–	(29.5)
Equity based				
Other investments	100.5	–	6.7	107.2
Short term funds	1,088.9	–	–	1,088.9
	1,183.1	32.4	6.7	1,222.2

There were no transfers between all 3 levels of the fair value hierarchy during the financial year.

	Fair value of financial instruments carried at fair value			
	Hierarchy of the underlying variable input used in measuring fair valuation			
In RM million	Level 1	Level 2	Level 3	Total
Company				
2016				
Derivatives				
Cross currency swap contract	**–**	**2.2**	**–**	**2.2**
Interest rate swap contracts	**–**	**(13.3)**	**–**	**(13.3)**
Equity based				
Other investments	**4.1**	**–**	**–**	**4.1**
	4.1	**(11.1)**	**–**	**(7.0)**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.6 Fair values (Continued)

Fair value hierarchy (Continued)

	Fair value of financial instruments carried at fair value			
	Hierarchy of the underlying variable input used in measuring fair valuation			
In RM million	Level 1	Level 2	Level 3	Total
Company				
2015				
Derivatives				
Interest rate swap contracts	–	(26.8)	–	(26.8)
Equity based				
Other investments	4.2	–	–	4.2
	4.2	(26.8)	–	(22.6)

There were no transfers between all 3 levels of the fair value hierarchy during the financial year.

The fair value measurement in Level 3 is based on the Group's share of net assets of the investees. There are no alternative assumptions that would result in changes in the amount determined and the management believes that its estimates of fair value are appropriate.

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as financial assets at fair value through profit or loss classified in Level 3 within the fair value hierarchy.

	Group	
In RM million	2016	2015
Financial assets designated at fair value through profit or loss		
At beginning of financial year	**6.7**	6.5
Total gain recognised in profit or loss	**0.7**	0.2
At end of financial year	**7.4**	6.7

41. FINANCIAL INSTRUMENTS (Continued)

41.6 Fair values (Continued)

Fair value hierarchy (Continued)

The carrying amounts of financial assets and financial liabilities, which are not carried at fair values, would approximate their fair values as at the end of the financial year. This is due to the relatively short term nature of the financial instruments or there is no significant difference between the historical interest rate at the point when liabilities were undertaken and the current prevailing market interest rate.

The following methods and assumptions were used to estimate the fair values of financial instruments:

i. The carrying amounts of financial assets and liabilities maturing within twelve (12) months approximate fair values due to the relatively short term maturity of these financial instruments.

ii. The fair values of quoted investments are their quoted market prices at the end of the financial year. The fair values of unquoted investments are estimated based on a valuation approach by reference to the Group's share of net assets of the investees based on the latest available financial statements of the investees.

iii. The fair value of the Group's borrowings are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements and of the same remaining maturities.

iv. The fair values of derivative financial instruments are the estimated amounts that the Group would expect to pay or receive on the termination of the outstanding positions as at the end of the financial year arising from such contracts. They are determined by reference to the difference between the contracted rate and the forward rate as at the end of the financial year applied to a contract of similar amount and maturity profile.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Classification of financial instruments

The financial assets and liabilities are classified into the following categories after initial recognition for the purpose of subsequent measurement:

In RM million	Loan and receivables	Fair value through profit or loss	Available for sale	Held to maturity	Total
Group					
Financial assets					
2016					
Trade and other receivables, net of deposits and prepayments	**1,045.7**	**–**	**–**	**–**	**1,045.7**
Amounts due from associates	**6.4**	**–**	**–**	**–**	**6.4**
Amount due from joint ventures	**25.7**	**–**	**–**	**–**	**25.7**
Derivative assets	**–**	**381.2**	**–**	**–**	**381.2**
Other investments	**–**	**104.2**	**–**	**–**	**104.2**
Short term funds	**–**	**1,120.1**	**–**	**–**	**1,120.1**
Deposits with financial institutions	**248.7**	**–**	**–**	**–**	**248.7**
Cash and bank balances	**569.4**	**–**	**–**	**–**	**569.4**
	1,895.9	**1,605.5**	**–**	**–**	**3,501.4**
2015					
Trade and other receivables, net of deposits and prepayments	937.3	–	–	–	937.3
Amounts due from associates	0.5	–	–	–	0.5
Amount due from joint ventures	24.0	–	–	–	24.0
Derivative assets	–	179.8	–	–	179.8
Other investments	–	107.2	–	–	107.2
Short term funds	–	1,088.9	–	–	1,088.9
Deposits with financial institutions	221.4	–	–	–	221.4
Cash and bank balances	478.2	–	–	–	478.2
	1,661.4	1,375.9	–	–	3,037.3

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Classification of financial instruments (Continued)

The financial assets and liabilities are classified into the following categories after initial recognition for the purpose of subsequent measurement (Continued):

In RM million	Other financial liabilities	Fair value through profit or loss	Total
Group			
Financial liabilities			
2016			
Borrowings	**7,381.2**	**–**	**7,381.2**
Trade and other payables	**885.4**	**–**	**885.4**
Amounts due to associates	**96.7**	**–**	**96.7**
Derivative liabilities	**–**	**107.8**	**107.8**
	8,363.3	**107.8**	**8,471.1**
2015			
Borrowings	6,648.4	–	6,648.4
Trade and other payables	697.6	–	697.6
Amounts due to associates	91.1	–	91.1
Derivative liabilities	–	153.7	153.7
	7,437.1	153.7	7,590.8

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Classification of financial instruments (Continued)

The financial assets and liabilities are classified into the following categories after initial recognition for the purpose of subsequent measurement (Continued):

In RM million	Loan and receivables	Fair value through profit or loss	Available for sale	Held to maturity	Total
Company					
Financial assets					
2016					
Amounts due from subsidiaries	**845.7**	**–**	**–**	**–**	**845.7**
Amount due from joint ventures	**25.7**	**–**	**–**	**–**	**25.7**
Derivative assets	**–**	**2.2**	**–**	**–**	**2.2**
Other investments	**–**	**4.1**	**–**	**–**	**4.1**
Deposits with financial institutions	**128.6**	**–**	**–**	**–**	**128.6**
Cash and bank balances	**115.2**	**–**	**–**	**–**	**115.2**
	1,115.2	**6.3**	**–**	**–**	**1,121.5**
2015					
Other receivables, net of deposits and prepayments	0.2	–	–	–	0.2
Amounts due from subsidiaries	933.2	–	–	–	933.2
Amount due from joint ventures	24.0	–	–	–	24.0
Other investments	–	4.2	–	–	4.2
Deposits with financial institutions	17.0	–	–	–	17.0
Cash and bank balances	112.9	–	–	–	112.9
	1,087.3	4.2	–	–	1,091.5

41. FINANCIAL INSTRUMENTS (Continued)

41.7 Classification of financial instruments (Continued)

The financial assets and liabilities are classified into the following categories after initial recognition for the purpose of subsequent measurement (Continued):

In RM million	Other financial liabilities	Fair value through profit or loss	Total
Company			
Financial liabilities			
2016			
Borrowings	**2,163.9**	**–**	**2,163.9**
Trade and other payables	**10.9**	**–**	**10.9**
Amounts due to subsidiaries	**1,904.0**	**–**	**1,904.0**
Derivative liabilities	**–**	**13.3**	**13.3**
	4,078.8	**13.3**	**4,092.1**
2015			
Borrowings	1,960.3	–	1,960.3
Trade and other payables	24.8	–	24.8
Amounts due to subsidiaries	1,972.9	–	1,972.9
Derivative liabilities	–	26.8	26.8
	3,958.0	26.8	3,984.8

42. COMMITMENTS

42.1 Capital Commitments

	Group		Company	
In RM million	2016	2015	2016	2015
Authorised capital expenditure not provided for in the financial statements				
– Contracted				
Additions of property, plant and equipment	**57.8**	69.0	**–**	–
– Not contracted				
Additions of property, plant and equipment	**249.2**	150.4	**0.2**	–

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

42. COMMITMENTS (Continued)

42.2 Operating Lease Commitments

42.2.1 The Group as lessee

The significant non-cancellable operating lease agreements entered by the Group are as follows:

i. lease of storage tank for a lease period of 1 year with a renewal term of 1 year;

ii. lease of a piece of land for a lease period of 22 years which cover a net area of 5,663 square meters for bulking installation; and

iii. lease of a piece of land for a lease period of 22 years which cover a net area of 13,400 square meters for bulk cargo terminal.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at end of the financial year but not recognised as liabilities are as follows:

	Group	
In RM million	2016	2015
Not later than 1 year	**32.2**	19.5
Later than 1 year and not later than 5 years	**72.8**	39.0
Later than 5 years	**3.0**	2.1
	108.0	60.6

42.2.2 The Group as lessor

The minimum lease payments receivable under non-cancellable operating leases contracted for as at end of the financial year but not recognised as receivables are as follows:

	Group	
In RM million	2016	2015
Not later than 1 year	**0.4**	0.2
Later than 1 year and not later than 5 years	**0.6**	–
	1.0	0.2

43. SEGMENTAL INFORMATION

The Group has two (2) reportable operating segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

Plantation	Cultivation of oil palm and rubber and processing of palm oil
Resource-based manufacturing	Manufacturing of oleochemicals, specialty oils and fats, palm oil refinery and palm kernel crushing
Other operations	Other operations which are not sizable to be reported separately

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

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

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities, loans and borrowings that are managed under centralised treasury function.

Details are provided in the reconciliations from segment assets and liabilities to the Group position.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

43. SEGMENTAL INFORMATION (Continued)

In RM million	Plantation	Resource-based manufacturing	Other operations	Total
2016				
Revenue				
Segment revenue	1,946.9	11,551.3	20.9	13,519.1
Result				
Operating profit	763.9	590.2	4.3	1,358.4
Share of results of associates	78.3	21.4	–	99.7
Share of results of joint ventures	–	(5.2)	–	(5.2)
Segment results	842.2	606.4	4.3	1,452.9
Assets				
Operating assets	7,979.9	6,611.9	141.6	14,733.4
Interest in associates	744.6	192.9	–	937.5
Interest in joint ventures	–	31.7	–	31.7
Segment assets	8,724.5	6,836.5	141.6	15,702.6
Liabilities				
Segment liabilities	337.5	1,039.4	21.4	1,398.3
Other Information				
Capital expenditure	217.0	264.2	0.5	481.7
Depreciation and amortisation	272.0	187.4	0.3	459.7
Non-cash items other than depreciation and amortisation	12.0	159.6	37.8	209.4

43. SEGMENTAL INFORMATION (Continued)

In RM million	Plantation	Resource-based manufacturing	Other operations	Total
2015				
Revenue				
Segment revenue	2,020.3	11,337.8	17.9	13,376.0
Result				
Operating profit	788.8	398.1	(2.8)	1,184.1
Share of results of associates	76.5	28.1	–	104.6
Share of results of joint ventures	–	(5.8)	–	(5.8)
Segment results	865.3	420.4	(2.8)	1,282.9
Assets				
Operating assets	8,166.3	5,826.5	82.8	14,075.6
Interest in associates	623.9	188.8	–	812.7
Interest in joint ventures	–	35.2	–	35.2
Segment assets	8,790.2	6,050.5	82.8	14,923.5
Liabilities				
Segment liabilities	321.6	748.9	37.1	1,107.6
Other Information				
Capital expenditure	316.5	233.2	1.5	551.2
Depreciation and amortisation	273.0	165.7	1.0	439.7
Non-cash items other than depreciation and amortisation	20.8	210.5	2.6	233.9

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

43. SEGMENTAL INFORMATION (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

	Group	
In RM million	2016	2015
Revenue		
Segment revenue	**13,519.1**	13,376.0
Inter-segment sales	**(1,779.8)**	(1,834.5)
Total revenue	**11,739.3**	11,541.5
Profit or loss		
Segment results	**1,452.9**	1,282.9
Unallocated corporate expenses	**(3.3)**	(42.5)
Profit before interest and taxation	**1,449.6**	1,240.4
Interest income	**53.3**	92.9
Finance costs	**(218.6)**	(281.6)
Net foreign currency translation loss on foreign currency denominated borrowings	**(318.5)**	(735.3)
Profit before taxation	**965.8**	316.4
Taxation	**(319.5)**	(261.6)
Profit for the financial year	**646.3**	54.8
Assets		
Segment assets	**15,702.6**	14,923.5
Unallocated corporate assets	**1,853.5**	1,525.0
Total assets	**17,556.1**	16,448.5
Liabilities		
Segment liabilities	**1,398.3**	1,107.6
Unallocated corporate liabilities	**8,740.8**	7,997.8
Total liabilities	**10,139.1**	9,105.4

43. SEGMENTAL INFORMATION (Continued)

Geographical Segments

In RM million	Malaysia	Europe	North America	Asia	Others	Consolidated
Group						
2016						
Revenue from external customers by location of customers	**2,404.0**	**4,162.5**	**1,986.2**	**2,819.1**	**367.5**	**11,739.3**
Segment assets by location of assets	**11,393.7**	**2,472.9**	**936.4**	**899.3**	**0.3**	**15,702.6**
Capital expenditure by location of assets	**294.8**	**40.2**	**53.8**	**92.9**	**–**	**481.7**
2015						
Revenue from external customers by location of customers	1,609.7	4,225.2	1,756.3	3,261.7	688.6	11,541.5
Segment assets by location of assets	11,391.0	1,726.2	882.3	815.0	109.0	14,923.5
Capital expenditure by location of assets	328.5	15.3	37.5	169.5	0.4	551.2

There is no single external customer that the revenue generated from exceeded 10% of the Group's revenue.

44. EXPLANATION OF TRANSITION TO MFRSs

As disclosed in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The Group is a transitioning entity as defined by the Malaysian Accounting Standards Board and its financial statements were prepared in accordance with FRS framework during the previous financial years. For the financial year ended 30 June 2016, the Group and the Company have applied an earlier transition to the MFRS Framework. The date of transition to the MFRS Framework is on 1 July 2014.

The accounting policies set out in Note 5 to the financial statements have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2016, as well as comparative information presented in these financial statements for the financial year ended 30 June 2015 and in the preparation of the opening MFRS statements of financial position at 1 July 2014 in accordance with MFRS 1.

In preparing the opening statements of financial position at 1 July 2014, the Group and the Company adjusted amounts reported previously in the financial statements prepared in accordance with FRSs. An explanation on the impact arising from the transition from FRSs to MFRSs and early adoption of the Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants* on the Group and the Company's financial position, financial performance and cash flows is set out as follows:

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.1 Reconciliation of statements of financial position at 1 July 2014

	Group		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
ASSETS			
Non-current assets			
Property, plant and equipment	6,410.0	3,235.7	9,645.7
Prepaid lease payments	30.1	(26.1)	4.0
Investment properties	8.3	–	8.3
Intangible assets	458.4	–	458.4
Investments in associates	886.9	(87.5)	799.4
Interests in joint ventures	33.0	–	33.0
Derivative assets	75.1	–	75.1
Deferred tax assets	43.8	6.6	50.4
	7,945.6	3,128.7	11,074.3
Current assets			
Inventories	2,154.6	–	2,154.6
Biological assets	–	51.2	51.2
Trade and other receivables	1,062.7	–	1,062.7
Amounts due from associates	0.4	–	0.4
Derivative assets	61.4	–	61.4
Current tax assets	38.5	–	38.5
Other investments	80.7	–	80.7
Short term funds	3,450.0	–	3,450.0
Deposits with financial institutions	186.8	–	186.8
Cash and bank balances	350.9	–	350.9
	7,386.0	51.2	7,437.2
TOTAL ASSETS	15,331.6	3,179.9	18,511.5

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.1 Reconciliation of statements of financial position at 1 July 2014 (Continued)

	Group		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	645.0	–	645.0
Reserves	(514.8)	4.6	(510.2)
Retained earnings	5,906.6	2,146.1	8,052.7
	6,036.8	2,150.7	8,187.5
Non-controlling interests	196.3	86.2	282.5
Total equity	6,233.1	2,236.9	8,470.0
Liabilities			
Non-current liabilities			
Borrowings	5,069.2	–	5,069.2
Derivative liabilities	44.8	–	44.8
Other long term liabilities	36.3	–	36.3
Deferred tax liabilities	451.4	943.0	1,394.4
	5,601.7	943.0	6,544.7
Current liabilities			
Trade and other payables	866.7	–	866.7
Borrowings	2,454.3	–	2,454.3
Amounts due to associates	73.8	–	73.8
Derivative liabilities	58.1	–	58.1
Current tax liabilities	43.9	–	43.9
	3,496.8	–	3,496.8
Total liabilities	9,098.5	943.0	10,041.5
TOTAL EQUITY AND LIABILITIES	15,331.6	3,179.9	18,511.5

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.1 Reconciliation of statements of financial position at 1 July 2014 (Continued)

	Company		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
ASSETS			
Non-current assets			
Property, plant and equipment	61.7	27.5	89.2
Investments in subsidiaries	7,557.4	–	7,557.4
Investments in associates	20.4	–	20.4
Interests in joint ventures	34.0	–	34.0
	7,673.5	27.5	7,701.0
Current assets			
Biological assets	–	0.2	0.2
Trade and other receivables	15.5	–	15.5
Amounts due from subsidiaries	2,980.8	–	2,980.8
Current tax assets	33.7	–	33.7
Other investments	4.5	–	4.5
Cash and bank balances	39.8	–	39.8
	3,074.3	0.2	3,074.5
TOTAL ASSETS	10,747.8	27.7	10,775.5

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.1 Reconciliation of statements of financial position at 1 July 2014 (Continued)

	Company		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	645.0	–	645.0
Reserves	(307.5)	–	(307.5)
Retained earnings	5,404.9	23.9	5,428.8
Total equity	5,742.4	23.9	5,766.3
Liabilities			
Non-current liabilities			
Borrowings	1,439.0	–	1,439.0
Derivative liabilities	40.4	–	40.4
Amounts due to subsidiaries	1,019.6	–	1,019.6
Deferred tax liabilities	–	3.8	3.8
	2,499.0	3.8	2,502.8
Current liabilities			
Trade and other payables	133.0	–	133.0
Borrowings	479.7	–	479.7
Amounts due to subsidiaries	1,856.2	–	1,856.2
Derivative liabilities	22.1	–	22.1
Current tax liabilities	15.4	–	15.4
	2,506.4	–	2,506.4
Total liabilities	5,005.4	3.8	5,009.2
TOTAL EQUITY AND LIABILITIES	10,747.8	27.7	10,775.5

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.2 Reconciliation of statements of financial position at 30 June 2015

	Group		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
ASSETS			
Non-current assets			
Property, plant and equipment	6,649.8	3,115.7	9,765.5
Prepaid lease payments	32.5	(25.8)	6.7
Investment properties	7.7	(0.7)	7.0
Intangible assets	458.4	–	458.4
Investments in associates	939.1	(126.4)	812.7
Interests in joint ventures	35.2	–	35.2
Derivative assets	138.7	–	138.7
Deferred tax assets	46.4	6.6	53.0
	8,307.8	2,969.4	11,277.2
Current assets			
Inventories	2,083.1	–	2,083.1
Biological assets	–	45.2	45.2
Trade and other receivables	1,062.4	–	1,062.4
Amounts due from associates	0.5	–	0.5
Derivative assets	41.1	–	41.1
Current tax assets	43.3	–	43.3
Other investments	107.2	–	107.2
Short term funds	1,088.9	–	1,088.9
Deposits with financial institutions	221.4	–	221.4
Cash and bank balances	478.2	–	478.2
	5,126.1	45.2	5,171.3
TOTAL ASSETS	13,433.9	3,014.6	16,448.5

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.2 Reconciliation of statements of financial position at 30 June 2015 (Continued)

In RM million	Group Previously reported under FRSs	 Effect on adoption of MFRSs	 Restated under MFRSs
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	645.9	–	645.9
Reserves	(597.0)	(20.0)	(617.0)
Retained earnings	5,010.2	2,029.9	7,040.1
	5,059.1	2,009.9	7,069.0
Non-controlling interests	189.3	84.8	274.1
Total equity	5,248.4	2,094.7	7,343.1
Liabilities			
Non-current liabilities			
Borrowings	5,835.9	–	5,835.9
Derivative liabilities	29.9	–	29.9
Other long term liabilities	29.4	–	29.4
Deferred tax liabilities	425.0	919.9	1,344.9
	6,320.2	919.9	7,240.1
Current liabilities			
Trade and other payables	833.4	–	833.4
Borrowings	812.5	–	812.5
Amounts due to associates	91.1	–	91.1
Derivative liabilities	123.8	–	123.8
Current tax liabilities	4.5	–	4.5
	1,865.3	–	1,865.3
Total liabilities	8,185.5	919.9	9,105.4
TOTAL EQUITY AND LIABILITIES	13,433.9	3,014.6	16,448.5

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.2 Reconciliation of statements of financial position at 30 June 2015 (Continued)

	Company		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
ASSETS			
Non-current assets			
Property, plant and equipment	62.2	27.2	89.4
Investments in subsidiaries	7,685.7	–	7,685.7
Investments in associates	20.4	–	20.4
Interests in joint ventures	42.0	–	42.0
	7,810.3	27.2	7,837.5
Current assets			
Biological assets	–	0.2	0.2
Trade and other receivables	15.4	–	15.4
Amounts due from subsidiaries	933.2	–	933.2
Current tax assets	43.0	–	43.0
Other investments	4.2	–	4.2
Deposits with financial institutions	17.0	–	17.0
Cash and bank balances	112.9	–	112.9
	1,125.7	0.2	1,125.9
TOTAL ASSETS	8,936.0	27.4	8,963.4

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.2 Reconciliation of statements of financial position at 30 June 2015 (Continued)

	Company		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	645.9	–	645.9
Reserves	(458.4)	–	(458.4)
Retained earnings	4,763.0	23.7	4,786.7
Total equity	4,950.5	23.7	4,974.2
Liabilities			
Non-current liabilities			
Borrowings	1,696.1	–	1,696.1
Derivative liabilities	26.8	–	26.8
Amounts due to subsidiaries	1,146.0	–	1,146.0
Deferred tax liabilities	–	3.7	3.7
	2,868.9	3.7	2,872.6
Current liabilities			
Trade and other payables	25.5	–	25.5
Borrowings	264.2	–	264.2
Amounts due to subsidiaries	826.9	–	826.9
	1,116.6	–	1,116.6
Total liabilities	3,985.5	3.7	3,989.2
TOTAL EQUITY AND LIABILITIES	8,936.0	27.4	8,963.4

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.3 Reconciliation of statements of profit or loss and statements of other comprehensive income for the financial year ended 30 June 2015

	Group		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Revenue	11,621.0	(79.5)	11,541.5
Cost of sales	(9,261.9)	(169.0)	(9,430.9)
Gross profit	2,359.1	(248.5)	2,110.6
Other operating income	637.0	(4.9)	632.1
Marketing and selling expenses	(249.5)	–	(249.5)
Administration expenses	(449.5)	0.1	(449.4)
Other operating expenses	(949.9)	47.7	(902.2)
Operating profit	1,347.2	(205.6)	1,141.6
Share of results of associates	119.1	(14.5)	104.6
Share of results of joint ventures	(5.8)	–	(5.8)
Profit before interest and taxation	1,460.5	(220.1)	1,240.4
Interest income	13.4	79.5	92.9
Finance costs	(281.6)	–	(281.6)
Net foreign currency translation loss on foreign currency denominated borrowings	(735.3)	–	(735.3)
Profit before taxation	457.0	(140.6)	316.4
Taxation	(284.6)	23.0	(261.6)
Profit for the financial year	172.4	(117.6)	54.8
Attributable to:			
Owners	168.1	(116.2)	51.9
Non-controlling interests	4.3	(1.4)	2.9
	172.4	(117.6)	54.8

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.3 Reconciliation of statements of profit or loss and statements of other comprehensive income for the financial year ended 30 June 2015 (Continued)

	Group		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Profit for the financial year	172.4	(117.6)	54.8
Other comprehensive loss that will not be reclassified subsequently to profit or loss			
Actuarial loss on defined benefit obligation	(15.2)	–	(15.2)
	(15.2)	–	(15.2)
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met			
Exchange differences on translation of foreign operations	88.2	(24.6)	63.6
Share of other comprehensive loss of associates	(20.9)	–	(20.9)
	67.3	(24.6)	42.7
Other comprehensive income for the financial year, net of tax	52.1	(24.6)	27.5
Total comprehensive income for the financial year	224.5	(142.2)	82.3
Total comprehensive income attributable to:			
Owners of the parent	221.7	(140.8)	80.9
Non-controlling interests	2.8	(1.4)	1.4
	224.5	(142.2)	82.3

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.3 Reconciliation of statements of profit or loss and statements of other comprehensive income for the financial year ended 30 June 2015 (Continued)

	Company		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Revenue	866.7	–	866.7
Cost of sales	(2.7)	(0.7)	(3.4)
Gross profit	864.0	(0.7)	863.3
Other operating income	144.8	(0.2)	144.6
Administration expenses	(17.4)	–	(17.4)
Other operating expenses	(396.3)	0.6	(395.7)
Profit before interest and taxation	595.1	(0.3)	594.8
Interest income	66.2	–	66.2
Finance costs	(176.8)	–	(176.8)
Net foreign currency translation loss on foreign currency denominated borrowings	(87.5)	–	(87.5)
Profit before taxation	397.0	(0.3)	396.7
Taxation	10.4	0.1	10.5
Profit and total comprehensive income for the financial year	407.4	(0.2)	407.2

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.4 Reconciliation of statements of cash flows for the financial year ended 30 June 2015

	Group		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Cash Flows From Operating Activities			
Profit before taxation	457.0	(140.6)	316.4
Adjustments for:			
Net foreign currency translation loss on foreign currency denominated borrowings	735.3	–	735.3
Finance costs	281.6	–	281.6
Depreciation of property, plant and equipment	232.3	207.4	439.7
Net fair value loss on derivative financial instruments	110.8	–	110.8
Net unrealised foreign currency translation loss	26.5	–	26.5
Retirement benefits expenses	13.8	–	13.8
Net fair value loss on other investments	11.8	–	11.8
Loss on repayment of term loan	8.1	–	8.1
Net inventories written down to net realisable values	6.4	–	6.4
Share of results of joint ventures	5.8	–	5.8
Property, plant and equipment written off	3.1	0.2	3.3
Amortisation of prepaid lease payments	2.9	(2.9)	–
Loss arising from acquisition of interest in an associate	1.8	–	1.8
Impairment losses on receivables	0.6	–	0.6
Gain on liquidation of a subsidiary	(0.1)	–	(0.1)
Gain on disposal of investment properties	(0.3)	–	(0.3)
Net gain on disposal of property, plant and equipment	(0.5)	–	(0.5)
Net fair value gain on investment properties	(0.7)	0.7	–
Impairment losses on receivables written back	(1.2)	–	(1.2)
Dividend income from other investments	(2.5)	–	(2.5)
Interest income	(13.4)	(79.5)	(92.9)
Gain on disposal of land from compulsory acquisition	(43.2)	4.2	(39.0)
Dividend income from short term funds	(79.5)	79.5	–
Share of results of associates	(119.1)	14.5	(104.6)
Net loss arising from changes in fair value of biological assets	–	6.0	6.0
Operating profit before working capital changes	1,637.3	89.5	1,726.8
Decrease in trade receivables	142.9	–	142.9
Increase in other payables and accruals	46.9	–	46.9
Decrease in inventories	20.9	–	20.9
Increase in trade payables	7.5	–	7.5
Increase in other receivables, deposits and prepayments	(75.0)	–	(75.0)
Cash generated from operations	1,780.5	89.5	1,870.0
Tax refunded	1.9	–	1.9
Retirement benefits paid	(2.1)	–	(2.1)
Retirement benefits contributed	(36.4)	–	(36.4)
Tax paid	(386.4)	–	(386.4)
Net cash from operating activities	1,357.5	89.5	1,447.0

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.4 Reconciliation of statements of cash flows for the financial year ended 30 June 2015 (Continued)

	Group		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Cash Flows From Investing Activities			
Dividends received from short term funds	79.5	(79.5)	–
Dividends received from associates	52.8	–	52.8
Proceeds from disposal of land from compulsory acquisition	46.8	–	46.8
Advances from associates	14.0	–	14.0
Interest received	13.6	79.5	93.1
Dividends received from other investments	2.5	–	2.5
Proceeds from disposal of property, plant and equipment	2.2	–	2.2
Proceeds from disposal of investment properties	1.6	–	1.6
Additions to prepaid lease payments	(5.0)	2.5	(2.5)
Advances to joint ventures	(8.0)	–	(8.0)
Addition to associates	(8.6)	–	(8.6)
Additions to other investments	(38.0)	–	(38.0)
Additions to property, plant and equipment	(456.5)	(92.0)	(548.5)
Net cash used in investing activities	(303.1)	(89.5)	(392.6)
Cash Flows From Financing Activities			
Drawdown of term loans	2,229.9	–	2,229.9
Proceeds from short term borrowings	373.3	–	373.3
Proceeds from issuance of shares	29.2	–	29.2
Dividends paid to non-controlling interests	(9.8)	–	(9.8)
Repurchase of shares	(179.2)	–	(179.2)
Finance costs paid	(314.1)	–	(314.1)
Dividends paid	(1,049.3)	–	(1,049.3)
Redemption of Guaranteed Notes	(1,607.1)	–	(1,607.1)
Repayments of term loans	(2,729.0)	–	(2,729.0)
Net cash used in financing activities	(3,256.1)	–	(3,256.1)
Net decrease in cash and cash equivalents	(2,201.7)	–	(2,201.7)
Cash and cash equivalents at beginning of financial year	3,987.7	–	3,987.7
Effect of exchange rate changes	2.5	–	2.5
Cash and cash equivalents at end of financial year	1,788.5	–	1,788.5

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.4 Reconciliation of statements of cash flows for the financial year ended 30 June 2015 (Continued)

	Company		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Cash Flows From Operating Activities			
Profit before taxation	397.0	(0.3)	396.7
Adjustments for:			
Net foreign currency translation loss on foreign currency denominated borrowings	87.5	–	87.5
Finance costs	176.8	–	176.8
Depreciation of property, plant and equipment	0.5	0.7	1.2
Net unrealised foreign currency translation loss	71.4	–	71.4
Net fair value loss on other investments	0.3	–	0.3
Loss on repayment of term loan	6.0	–	6.0
Net gain on disposal of property, plant and equipment	(0.1)	–	(0.1)
Dividend income from other investments	(0.1)	–	(0.1)
Interest income	(66.2)	–	(66.2)
Gain on disposal of land from compulsory acquisition	(1.8)	0.2	(1.6)
Dividend income from associates	(3.0)	–	(3.0)
Waiver of debt by a subsidiary	(76.2)	–	(76.2)
Dividend income from subsidiaries	(857.9)	–	(857.9)
Operating loss before working capital changes	(265.8)	0.6	(265.2)
Decrease in other payables and accruals	(107.5)	–	(107.5)
Decrease in other receivables, deposits and prepayments	1.4	–	1.4
Cash used in operations	(371.9)	0.6	(371.3)
Tax paid	(14.3)	–	(14.3)
Net cash used in operating activities	(386.2)	0.6	(385.6)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.4 Reconciliation of statements of cash flows for the financial year ended 30 June 2015 (Continued)

	Company		
In RM million	Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Cash Flows From Investing Activities			
Dividends received from associates	3.0	–	3.0
Proceeds from disposal of land from compulsory acquisition	2.1	–	2.1
Interest received	1.3	–	1.3
Dividends received from other investments	0.1	–	0.1
Proceeds from disposal of property, plant and equipment	0.1	–	0.1
Advances to joint ventures	(8.0)	–	(8.0)
Additions to property, plant and equipment	(1.3)	(0.6)	(1.9)
Advances from subsidiaries	1,242.9	–	1,242.9
Dividends received from subsidiaries	857.9	–	857.9
Investment in subsidiaries	(128.3)	–	(128.3)
Net cash from investing activities	1,969.8	(0.6)	1,969.2
Cash Flows From Financing Activities			
Drawdown of term loans	1,618.7	–	1,618.7
Proceeds from short term borrowings	258.7	–	258.7
Proceeds from issuance of shares	29.2	–	29.2
Repurchase of shares	(179.2)	–	(179.2)
Finance costs paid	(53.8)	–	(53.8)
Dividends paid	(1,049.3)	–	(1,049.3)
Repayments of term loans	(2,117.8)	–	(2,117.8)
Net cash used in financing activities	(1,493.5)	–	(1,493.5)
Net increase in cash and cash equivalents	90.1	–	90.1
Cash and cash equivalents at beginning of financial year	39.8	–	39.8
Cash and cash equivalents at end of financial year	129.9	–	129.9

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.5 Notes to reconciliation

(i) Property, plant and equipment

Freehold land and leasehold land

The Group elected to apply the optional exemption to measure certain freehold land and leasehold land at fair value at the date of transition to MFRSs and use that fair value as deemed cost. The surplus net of deferred tax arising from the fair valuation and non-controlling interest was recognised in retained earnings as at 1 July 2014.

The aggregate fair values and adjustment to the carrying amounts of freehold land and leasehold land as at 1 July 2014 are as follows:

In RM million	Group	Company
Aggregate fair value	5,458.3	70.1
Aggregate adjustment to the carrying amounts previously reported under FRSs	4,150.0	30.9

The impact on the fair valuation of the property, plant and equipment as deemed cost on 1 July 2014 has resulted in additional depreciation on property, plant and equipment.

The impact arising from the change is summarised as follows:

	Group		Company	
In RM million	30 June 2015	1 July 2014	30 June 2015	1 July 2014
Statements of financial position				
Increase in property, plant and equipment	4,106.8	4,150.0	30.7	30.9
Statements of profit or loss				
Increase in other operating expenses	(38.5)	–	–	–
Decrease in other operating income	(4.2)	–	(0.2)	–

The fair value measurements of the Group's and the Company's property, plant and equipment at the date of transition to MFRSs are categorised within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.5 Notes to reconciliation (Continued)

(i) Property, plant and equipment (Continued)

Bearer plants

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, all the new planting expenditure incurred from land clearing to the point of harvesting was capitalised under plantation development expenditure and was not amortised. Replanting expenditure, which represents cost incurred in replanting old planted areas, was charged to profit or loss. With the adoption of the Amendments to MFRS 116 and MFRS 141, the new planting expenditure and replanting expenditure are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The early adoption of the Amendments to MFRS 116 and MFRS 141 have resulted in additional depreciation on property, plant and equipment. The replanting expenditure that are charged to profit or loss during the previous financial year are reversed and capitalised under property, plant and equipment.

The impact arising from the change is summarised as follows:

	Group		Company	
In RM million	30 June 2015	1 July 2014	30 June 2015	1 July 2014
Statements of financial position				
Decrease in property, plant and equipment	(991.1)	(914.3)	(3.5)	(3.4)
Statements of profit or loss				
Increase in cost of sales	(169.0)	–	(0.7)	–
Decrease in other operating expenses	92.2	–	0.6	–

(ii) Biological assets

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, biological assets which form part of the bearer plants and were not recognised separately. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets were recognised in profit or loss during the financial year.

The impact arising from the change is summarised as follows:

	Group		Company	
In RM million	30 June 2015	1 July 2014	30 June 2015	1 July 2014
Statements of financial position				
Increase in biological assets	45.2	51.2	0.2	0.2
Statements of profit or loss				
Increase in other operating expenses	(6.0)	–	–	–

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.5 Notes to reconciliation (Continued)

(iii) Investment properties

Prior to transition to MFRSs, the Group measured its investment properties at fair value. Upon transition to MFRSs, the Group has elected to apply the optional exemption to use the fair value at the date of transition as deemed cost of investment properties under MFRSs. This has resulted a reversal of fair value gain on investment properties in financial year 2015. The impact of adopting the cost model has resulted in additional depreciation charge on the investment properties.

The aggregate fair values and adjustment to the carrying amounts as at 1 July 2014 are as follows:

In RM million	Group
Aggregate fair value	8.3
Aggregate adjustment to the carrying amounts previously reported under FRSs	–

The impact arising from the change is summarised as follows:

	Group	
In RM million	30 June 2015	1 July 2014
Statements of financial position		
Decrease in investment properties	(0.7)	–
Statements of profit or loss		
Decrease in other operating income	(0.7)	–

(iv) Prepaid lease payments

Prior to transition to MFRSs, certain leasehold lands were classified as operating leases. Upon transition to MFRSs, the Group has reassessed and determined that the leasehold land amounted to RM26.1 million of the Group are in substance finance leases and has reclassified the said amount to property, plant and equipment. The reclassification has no effect to the retained earnings as at 1 July 2014.

(v) Associates

With the early adoption of the Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, the new planting expenditure and replanting expenditure of the associates are measured at cost less accumulated depreciation and accumulated impairment losses, if any, to align with the accounting policy of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

44. EXPLANATION OF TRANSITION TO MFRSs (Continued)

44.5 Notes to reconciliation (Continued)

(vi) Others

The impact arising from all of the changes described earlier to the other assets, liabilities, equity and profit or loss is summarised as follows:

	Group		Company	
In RM million	30 June 2015	1 July 2014	30 June 2015	1 July 2014
Statements of financial position				
Assets				
Increase in deferred tax assets	6.6	6.6	–	–
Liabilities				
Increase in deferred tax liabilities	919.9	943.0	3.7	3.8
Equity				
(Decrease)/increase in reserves	(20.0)	4.6	–	–
Increase in retained earnings	2,029.9	2,146.1	23.7	23.9
Increase in non-controlling interests	84.8	86.2	–	–
Statements of profit and loss				
Decrease in taxation	23.0	–	0.1	–
Decrease in non-controlling interests	(1.4)	–	–	–

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The subsidiaries, associates and joint ventures, incorporated in Malaysia except otherwise stated, are as follows:

	Effective Group Interest		
Name of Company	2016	2015	Principal Activities
Direct Subsidiaries			
Plantation			
B. A. Plantations Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and investment holding
IOI Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and investment holding
Pine Capital Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and investment holding
Mayvin Incorporated Sdn Bhd	**100.0%**	100.0%	Processing of palm oil and investment holding
Dynamic Plantations Berhad	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Halusah Ladang Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Ladang Sabah Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Morisem Palm Oil Mill Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Perusahaan Mekassar (M) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Syarikat Pukin Ladang Kelapa Sawit Sdn Berhad	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Pamol Plantations Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm, processing of palm oil and investment holding
Syarimo Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm, processing of palm oil and investment holding
Right Purpose Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and soft wood timber
Ladang Asas Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Ladang Cantawan (Sabah) Sdn Berhad	**100.0%**	100.0%	Cultivation of oil palm
Laksana Kemas Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Meriteam Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Morisem Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Morisem (Sabah) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Palmco Plantations (Sabah) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Palmco Properties Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Permodalan Plantations Sdn Bhd	**70.0%**	70.0%	Cultivation of oil palm
PR Enterprise Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Direct Subsidiaries (Continued)			
Plantation (Continued)			
Priceland Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Safima Plantations Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Sakilan Desa Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Terusan Baru Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
IOI Commodity Trading Sdn Bhd	**100.0%**	100.0%	Trading of palm oil commodities
IOI Palm Biotech Sdn Bhd	**100.0%**	100.0%	Commercialisation of high quality clonal ramets through tissue culturing process and its biotechnology related research and development activities
IOI Plantation Services Sdn Bhd	**100.0%**	100.0%	Provision of management services
Mayvin (Sabah) Sdn Bhd	**100.0%**	100.0%	Investment holding
Lynwood Capital Resources Pte Ltd * *(Incorporated in Singapore)*	**100.0%**	100.0%	Investment holding
Oakridge Investments Pte Ltd * *(Incorporated in Singapore)*	**100.0%**	100.0%	Investment holding
Oleander Capital Resources Pte Ltd * *(Incorporated in Singapore)*	**100.0%**	100.0%	Investment holding
Cantawan Oil Palms Sdn Bhd	**100.0%**	100.0%	Dormant
Fruitful Plantations Sdn Bhd	**100.0%**	100.0%	Dormant
Future Growth Sdn Bhd	**100.0%**	100.0%	Dormant
Hill Land Sdn Bhd	**100.0%**	100.0%	Dormant
Morisem Sdn Bhd	**100.0%**	100.0%	Dormant
Sri Cantawan Sdn Bhd	**100.0%**	100.0%	Dormant
Unipamol Malaysia Sdn Bhd	**100.0%**	100.0%	Dormant
Zonec Plus Sdn Bhd	**100.0%**	100.0%	Dormant

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Direct Subsidiaries (Continued)			
Resource-based Manufacturing			
IOI Bio-Energy Sdn Bhd	**100.0%**	100.0%	Producing and supplying palm-based renewable energy
IOI Edible Oils Sdn Bhd	**100.0%**	100.0%	Investment holding and palm oil trading and refinery
IOI Lipid Enzymtec Sdn Bhd	**100.0%**	100.0%	Manufacturing of specialty fats by applying enzyme technology
IOI Loders Croklaan Procurement Company Sdn Bhd	**100.0%**	100.0%	Commodities trading and international procurement of palm oil
IOI Oleochemical Industries Berhad *	**100.0%**	100.0%	Investment holding
IOI Speciality Fats Sdn Bhd	**100.0%**	100.0%	Investment holding
Loders Croklaan Group B. V. # *(Incorporated in The Netherlands)*	**100.0%**	100.0%	Investment holding
IOI Edible Oils (HK) Limited # *(Incorporated in Hong Kong)*	**100.0%**	100.0%	Investment holding
Non-Segment			
IOI Biofuel Sdn Bhd	**100.0%**	100.0%	Embark in renewable energy project
IOI Management Sdn Bhd	**100.0%**	100.0%	Provision of treasury management services to its related companies
IOI Global Services Sdn Bhd *(Formerly known as IOI Corporate Services Sdn Bhd)*	**100.0%**	65.0%	Provision of management services
Kayangan Heights Sdn Bhd	**60.0%**	60.0%	Property development
Rapat Jaya Sendirian Berhad	**100.0%**	100.0%	Property development, property investment and cultivation of plantation produce
IOI Corporation N. V. * *(Incorporated in The Netherlands Antilles)* *(In members' voluntary winding-up)*	**100.0%**	100.0%	Investment holding
Morisem Consolidated Sdn Bhd	**100.0%**	100.0%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Direct Subsidiaries (Continued)			
Non-Segment (Continued)			
IOI Investment (L) Berhad *(Incorporated in the Federal Territory of Labuan)*	**100.0%**	100.0%	Issuance of Exchangeable Bonds
IOI Ventures (L) Berhad *(Incorporated in the Federal Territory of Labuan)*	**100.0%**	100.0%	Issuance of Guaranteed Notes
IOI Capital (L) Berhad *(Incorporated in the Federal Territory of Labuan)* *(In the process of striking-off under Section 151 of the Labuan Companies Act, 1990)*	**100.0%**	100.0%	Dormant
IOI Resources (L) Berhad *(Incorporated in the Federal Territory of Labuan)* *(In the process of striking-off under Section 151 of the Labuan Companies Act, 1990)*	**100.0%**	100.0%	Dormant
IOI Palm Products Sdn Bhd	**100.0%**	100.0%	Dormant
IOI Pulp & Paper Sdn Bhd	**100.0%**	100.0%	Dormant
Kean Ko Sdn Berhad	**100.0%**	100.0%	Dormant
Palmco Plantations Sendirian Berhad	**100.0%**	100.0%	Dormant
Indirect Subsidiaries			
Plantation			
Subsidiary of B. A. Plantations Sdn Bhd			
Kesan Jadi Sdn Bhd	**100.0%**	100.0%	Dormant
Subsidiaries of Mayvin (Sabah) Sdn Bhd			
Sri Mayvin Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Deramakot Plantations Sdn Bhd	**100.0%**	100.0%	Dormant
Ladang Mayvin Sdn Bhd	**100.0%**	100.0%	Dormant
Mowtas Plantations Sdn Bhd	**100.0%**	100.0%	Dormant

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Indirect Subsidiaries (Continued)			
Plantation (Continued)			
Subsidiaries of Pine Capital Sdn Bhd			
Ladang Tebu Batu Putih Sdn Bhd	**100.0%**	100.0%	Dormant
Luminous Aspect Sdn Bhd	**100.0%**	100.0%	Dormant
Priceland Plantation Sdn Bhd	**100.0%**	100.0%	Dormant
Sayang Segama Sdn Bhd	**100.0%**	100.0%	Dormant
Sri Vagas Sdn Bhd	**100.0%**	100.0%	Dormant
Sri Yongdankong Sdn Bhd	**100.0%**	100.0%	Dormant
Subsidiaries of Mayvin Incorporated Sdn Bhd			
Gamore Corporation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Vantage Wealth Sdn Bhd	**100.0%**	100.0%	Dormant
Subsidiaries of Syarimo Sdn Bhd			
Agroplex (Sabah) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Maxgrand Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Mewahandal Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Syarikat Best Cocoa Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Very Good Estate Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Fastscope Development Sdn Bhd	**100.0%**	100.0%	Cultivation of soft wood timber
Bilprice Development Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Erat Manis Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Hidayat Rakyat Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Indirect Subsidiaries (Continued)			
Plantation (Continued)			
Subsidiaries of Syarimo Sdn Bhd (Continued)			
Hidayat Ria Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Kunimas Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Lokoh Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Muara Julang Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Pricescore Enterprise Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Pujian Harum Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Unikhas Corporation Sdn Bhd *(In the process of striking-off under Section 308 of the Companies Act, 1965)*	**100.0%**	100.0%	Dormant
Subsidiary of Pamol Plantations Sdn Bhd			
Pamol Estates (Sabah) Sdn Bhd	**70.0%**	70.0%	Cultivation of oil palm, processing of palm oil and investment holding
Subsidiary of Pamol Estates (Sabah) Sdn Bhd			
Milik Berganda Sdn Bhd	**70.0%**	70.0%	Cultivation of oil palm

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Indirect Subsidiaries (Continued)			
Plantation (Continued)			
Subsidiaries of Oleander Capital Resources Pte Ltd			
PT Berkat Agro Sawitindo * *(Incorporated in Republic of Indonesia)*	**67.0%**	67.0%	Investment holding
PT Sawit Nabati Agro * *(Incorporated in Republic of Indonesia)*	**67.0%**	67.0%	Investment holding
Subsidiaries of PT Sawit Nabati Agro			
PT Bumi Sawit Sejahtera * *(Incorporated in Republic of Indonesia)*	**67.0%**	67.0%	Cultivation of oil palm
PT Berkat Nabati Sejahtera * *(Incorporated in Republic of Indonesia)*	**67.0%**	67.0%	Cultivation of oil palm
PT Sukses Karya Sawit * *(Incorporated in Republic of Indonesia)*	**67.0%**	67.0%	Cultivation of oil palm
PT Ketapang Sawit Lestari * *(Incorporated in Republic of Indonesia)*	**67.0%**	67.0%	Pre-operating
Subsidiaries of IOI Plantation Sdn Bhd			
Unico-Desa Plantations Berhad	**100.0%**	100.0%	Cultivation of oil palm, processing of palm oil and investment holding
IOI Pelita Plantation Sdn Bhd	**70.0%**	70.0%	Cultivation of oil palm
Subsidiaries of Unico-Desa Plantations Berhad			
Unico Plantations Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and investment holding
Basic Plantation (S) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Builtec Agricultural & Development Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Gelodar Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Golden Focus Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Korop Holdings Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Zutaland Development Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Indirect Subsidiaries (Continued)			
Plantation (Continued)			
Subsidiaries of Unico Plantations Sdn Bhd			
Fasgro Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Segaco Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Supercrop Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Syarikat Zuba Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Topcrop Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Tutico Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Unico Oil Mill Sdn Bhd	**100.0%**	100.0%	Processing of palm oil
Resource-based Manufacturing			
Subsidiary of IOI Edible Oils Sdn Bhd			
IOI Jeti Sdn Bhd	**100.0%**	100.0%	Dormant
Subsidiaries of IOI Oleochemical Industries Berhad			
IOI Acidchem Sdn Bhd * *(Formerly known as Acidchem International Sdn Bhd)*	**100.0%**	100.0%	Manufacture and sale of fatty acids and glycerine and other related products
IOI Derichem Sdn Bhd * *(Formerly known as Derichem (M) Sdn Bhd)*	**100.0%**	100.0%	Manufacture and sale of soap noodles
IOI Esterchem (M) Sdn Bhd	**100.0%**	100.0%	Manufacture and trading of fatty ester
IOI Pan-Century Edible Oils Sdn Bhd	**100.0%**	100.0%	Refining and processing of crude palm oil and glycerine products
IOI Pan-Century Oleochemicals Sdn Bhd	**100.0%**	100.0%	Manufacturing of oleochemical products and soap noodle
Palmco Oil Mill Sendirian Berhad *	**100.0%**	100.0%	Trading in commodities and renting of storage tanks
Stabilchem (M) Sdn Bhd *	**100.0%**	100.0%	Dormant

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	Effective Group Interest 2015	Principal Activities
Indirect Subsidiaries (Continued)			
Resource-based Manufacturing (Continued)			
Subsidiaries of IOI Acidchem Sdn Bhd			
IOI Oleo GmbH * *(Incorporated in Germany)*	**100.0%**	–	Manufacture and sale of oleochemical specialty products
Acidchem (USA) Inc * *(Incorporated in United States of America)*	**100.0%**	100.0%	Trading in fatty acids and glycerine
IOI Oleo (Europe) ApS * *(Incorporated in Denmark)*	**100.0%**	100.0%	Carrying out registration of oleochemical products of European Union registration, trading and distribution of oleochemical products
Subsidiary of IOI Edible Oils (HK) Limited			
IOI (Xiamen) Edible Oils Co., Ltd * *(Incorporated in the People's Republic of China)*	**100.0%**	100.0%	Pre-operating
Subsidiaries of Loders Croklaan Group B. V.			
IOI-Loders Croklaan Oils B.V. # *(Incorporated in The Netherlands)*	**100.0%**	100.0%	Palm oil refinery
IOI Loders Croklaan Oils Sdn Bhd	**100.0%**	100.0%	Refining and sale of palm oil and related products
Loders Croklaan B. V. # *(Incorporated in The Netherlands)*	**100.0%**	100.0%	Manufacturing of specialty oils and fats
Loders Croklaan Burkina Faso S.A.R.L. * *(Incorporated in the West Africa)*	**100.0%**	100.0%	Wholesale procurement and trading of agricultural products particularly shea nuts and shea butter
Loders Croklaan Canada Inc. # *(Incorporated in Canada)*	**100.0%**	100.0%	Manufacturing of specialty oils and fats
Loders Croklaan For Oils S.A.E. # *(Incorporated in Egypt)*	**100.0%**	100.0%	Production of emulsified raw materials and semi finished goods on oils and fats
Loders Croklaan Ghana Limited * *(Incorporated in Ghana)*	**100.0%**	100.0%	Procurement and development of raw material for specialty fats application
Loders Croklaan Latin America Comercio De Gorduras e Oleos Vegetais Ltda * *(Incorporated in Brazil)*	**100.0%**	100.0%	Commission-based agent for the import of specialty fats for the food industry

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Indirect Subsidiaries (Continued)			
Resource-based Manufacturing (Continued)			
Subsidiaries of Loders Croklaan Group B. V. (Continued)			
Loders Croklaan (Shanghai) Trading Co. Ltd # *(Incorporated in the People's Republic of China)*	**100.0%**	100.0%	Trading of specialty oils and fats products
LCK Nutrition Limited # *(Incorporated in the Republic of Ireland)*	**100.0%**	100.0%	Sales, marketing, development and distribution of nutrition lipid betapol business
Loders Croklaan Malaysia Sdn Bhd	**100.0%**	100.0%	Investment holding
Loders Croklaan USA B. V. # *(Incorporated in The Netherlands)*	**100.0%**	100.0%	Investment holding
Loders Croklaan Nutrition B.V. # *(Incorporated in The Netherlands)*	**100.0%**	100.0%	To be sales, marketing, development and distribution of nutrition lipid Betapol business
IOI Loders Croklaan Industries Limited * *(Incorporated in Ghana)*	**100.0%**	–	Procurement and development of raw material for specialty fats application (Shea)
Subsidiary of Loders Croklaan USA B. V.			
Loders Croklaan USA LLC # *(Incorporated in United States of America)*	**100.0%**	100.0%	Manufacturing of specialty oils and fats
Subsidiaries of Loders Croklaan For Oils S. A. E.			
IOI Specialty Fats For Trade Limited Liability Company # *(Incorporated in Egypt)*	**99.0%**	99.0%	Trading of specialty fats
Loders Croklaan for Trading & Distribution LLC # *(Incorporated in Egypt)* *(In liquidation)*	**100.0%**	100.0%	Dormant
Subsidiary of IOI Loders Croklaan Oils Sdn Bhd			
Loders Croklaan (Asia) Sdn Bhd	**100.0%**	100.0%	Dormant

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Indirect Subsidiaries (Continued)			
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
Care Security Services Sdn Bhd *	**100.0%**	100.0%	Dormant
Palmco Jaya Sendirian Berhad *	**100.0%**	100.0%	Bulk cargo warehousing
Palmco International (HK) Limited * *(Incorporated in Hong Kong)*	**100.0%**	100.0%	Investment holding
Acidchem (Sabah) Sdn Bhd * *(Struck-off under Section 308 of the Companies Act, 1965)*	–	100.0%	Dormant
Direct Consolidated Sdn Bhd * *(Struck-off under Section 308 of the Companies Act, 1965)*	–	100.0%	Dormant
Palmco Management Services Sdn Bhd *	**100.0%**	100.0%	Dormant
Palmina Sendirian Berhad *	**100.0%**	100.0%	Dormant
Pamol Bintang Sdn Bhd *	**100.0%**	100.0%	Dormant
Performance Chemicals (M) Sdn Bhd *	**100.0%**	100.0%	Dormant
Quantum Green Sdn Bhd *	**100.0%**	100.0%	Dormant
Subsidiaries of Palmco International (HK) Limited			
Palmco Engineering Limited * *(Incorporated in Hong Kong)*	**100.0%**	100.0%	Investment holding
Acidchem (Singapore) Pte Ltd * *(Incorporated in Singapore)*	**100.0%**	100.0%	Dormant

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Indirect Subsidiaries (Continued)			
Non-Segment (Continued)			
Subsidiary of Palmco Engineering Limited			
Tianjin Palmco Oil And Fats Co. Ltd * *(Incorporated in the People's Republic of China)*	**100.0%**	100.0%	Dormant
Subsidiary of Kayangan Heights Sdn Bhd			
Common Portfolio Sdn Bhd	**60.0%**	60.0%	Dormant

Notes:
*** *Subsidiaries not audited by BDO.*
*Subsidiaries audited by member firms of BDO International.*

45. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Continued)

Name of Company	Effective Group Interest 2016	2015	Principal Activities
Associates			
Plantation			
Reka Halus Sdn Bhd	**30.0%**	30.0%	Cultivation of oil palm and processing of palm oil
Asssociate of Lynwood Capital Resources Pte Ltd and Oakridge Investments Pte Ltd			
Bumitama Agri Ltd *(Incorporated in Singapore)*	**31.7%**	31.4%	Investment holding
Resource-based Manufacturing			
Associates of IOI Oleochemical Industries Berhad			
Fatty Chemical (Malaysia) Sdn Bhd	**30.0%**	30.0%	Manufacturing and sale of fatty alcohol and refined glycerine
Kao Plasticizer (Malaysia) Sdn Bhd	**30.0%**	30.0%	Manufacturing and sale of plasticizer products
Peter Greven Asia Sdn Bhd	**40.0%**	40.0%	Production, marketing and distribution of metallic stearates
Malaysia Pakistan Venture Sdn Bhd	**25.0%**	25.0%	Investment holding
Joint Ventures			
Resource-based Manufacturing			
Adeka Foods (Asia) Sdn Bhd	**40.0%**	40.0%	Manufacturing of margarine, shortening and fat spreads
IOI Loders Croklaan SC B.V. *(Incorporated in The Netherlands)*	**50.0%**	–	Dormant

46. AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2016 were authorised for issue by the Board of Directors on 13 September 2016.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

47. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings as at the end of the financial year are analysed as follows:

	Group		Company	
In RM million	**2016**	**2015**	**2016**	**2015**
Total retained profits of the Company and its subsidiaries				
Realised	**11,451.7**	11,483.2	**5,128.2**	4,808.0
Unrealised	**(537.1)**	(286.3)	**(192.5)**	(21.3)
	10,914.6	11,196.9	**4,935.7**	4,786.7
Total share of retained profits from associates				
Realised	**285.1**	226.8	**–**	–
Unrealised	**117.8**	104.8	**–**	–
Total share of accumulated losses from joint ventures				
Realised	**(12.0)**	(6.8)	**–**	–
Unrealised	**–**	–	**–**	–
	11,305.5	11,521.7	**4,935.7**	4,786.7
Less: Consolidation adjustments	**(4,110.6)**	(4,481.6)	**–**	–
	7,194.9	7,040.1	**4,935.7**	4,786.7

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 127 to 285 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 47 to the financial statements on page 286 has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 13 September 2016:

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Lee Yeow Chor
Chief Executive Officer

STATUTORY DECLARATION

I, Wong Tack Wee, being the officer primarily responsible for the financial management of IOI Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 127 to 286 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared	)	
by the abovenamed	)	**Wong Tack Wee**
at Puchong, Selangor Darul Ehsan	)	
this 13 September 2016	)	

Before me

Ng Say Jin
Commissioner for Oaths
No. B195

INDEPENDENT AUDITORS' REPORT

To The Members Of IOI Corporation Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of IOI Corporation Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 127 to 285.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 45 to the financial statements.

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 47 to the financial statements is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

As stated in Note 2.1 to the financial statements, IOI Corporation Berhad adopted Malaysian Financial Reporting Standards on 1 July 2015 with a transition date of 1 July 2014. These Standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2015 and 1 July 2014 and the statements of profit or loss, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 30 June 2015 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 30 June 2016 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2015 do not contain misstatements that materially affect the financial position as of 30 June 2016 and financial performance and cash flows for the year then ended.

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

BDO
AF: 0206
Chartered Accountants

Ooi Thiam Poh
2495/01/18 (J)
Chartered Accountant

Kuala Lumpur
13 September 2016

GROUP PROPERTIES

A. PLANTATION ESTATES

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Year of Acquisition	Net Carrying Amount as at 30 June 2016 RM million
Pahang Darul Makmur						
Bukit Dinding Estate, Bentong	Freehold	1,660	OP	–	1983	116.6
Pukin Estate, Pekan Rompin	Leasehold expiring 2071, 2074, 2077	2,428	OP	1	1985	134.5
Mekassar Estate, Pekan Rompin	Leasehold expiring 2075	1,209	OP	–	1985	66.4
Detas Estate, Pekan	Leasehold expiring 2081	2,226	OP	–	1989	131.0
Bukit Leelau Estate, Pekan	Leasehold expiring 2088	2,088	OP	1	1989	112.7
Merchong Estate, Pekan	Leasehold expiring 2075	1,934	OP	–	1990	105.7
Leepang A Estate, Rompin	Leasehold expiring 2067	2,322	OP	–	2000	118.5
Laukin A Estate, Rompin	Leasehold expiring 2067	1,565	OP	–	2000	79.3
Shahzan IOI Estate 1, Rompin	Leasehold expiring 2062	1,562	OP	–	2002	71.1
Shahzan IOI Estate 2, Rompin	Leasehold expiring 2062	1,640	OP	–	2002	57.4
Negeri Sembilan Darul Khusus						
Regent Estate, Tampin	Freehold	2,300	OP	–	1990	156.0
Bahau Estate, Kuala Pilah	Freehold	2,553	OP	–	1990	171.3
Kuala Jelei Estate, Kuala Pilah	Freehold	679	OP	–	1990	46.1
Johor Darul Takzim						
Gomali Estate, Segamat	Freehold	2,562	OP R	1	1990	190.6
Paya Lang Estate, Segamat	Freehold	2,446	OP R	–	1990	171.0
Tambang Estate, Segamat	Freehold	2,011	OP	–	1990	138.6
Bukit Serampang Estate, Tangkak	Freehold	2,564	OP	–	1990	173.8
Kahang Estate, Kluang	Leasehold expiring 2082	2,420	OP	–	1990	119.6
Sagil Estate, Tangkak	Freehold	2,547	OP	–	1990	178.3
Segamat Estate, Segamat	Freehold	1,340	OP	–	1990	89.8
Pamol Plantations Estate, Kluang	Freehold	8,109	OP	1	2003	585.1
Sabah						
Morisem 1 Estate, Kinabatangan	Leasehold expiring 2080	2,032	OP	–	1993	52.6
Morisem 2 Estate, Kinabatangan	Leasehold expiring 2038, 2087, 2090	2,042	OP	–	1993-2009	61.5
Morisem 3 Estate, Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	–	1993	43.2
Morisem 4 Estate, Kinabatangan	Leasehold expiring 2089	2,023	OP	–	1993	44.7
Morisem 5 Estate, Kinabatangan	Leasehold expiring 2078	1,878	OP	–	1993	38.4
Baturong 1-3 Estates, Kunak	Leasehold expiring 2081	7,485	OP	1	1991	238.0
Halusah Estate, Lahad Datu	Leasehold expiring 2076, 2078	813	OP	–	1991	15.1

A. PLANTATION ESTATES (Continued)

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Year of Acquisition	Net Carrying Amount as at 30 June 2016 RM million
Sabah (Continued)						
Syarimo 1-9 Estates, Kinabatangan	Leasehold expiring 2035, 2077-2097, 2963-2990	18,417	OP	1	1985-2000	539.0
Permodalan Estate, Kinabatangan	Leasehold expiring 2078	8,094	OP	–	1995	144.1
Laukin Estate, Sugut	Leasehold expiring 2077	2,128	OP	–	1996	58.8
Sakilan Estate, Sandakan	Leasehold expiring 2887	2,296	OP	1	1996	98.4
Ladang Sabah Estates, Labuk-Sugut	Leasehold expiring 2077, 2082, 2087, 2089	12,228	OP	1	1998-2003	373.1
Cantawan Estate, Lahad Datu	Leasehold expiring 2061, 2066, 2078-2080	1,452	OP	–	1998	34.5
Tas Estate, Kinabatangan	Leasehold expiring 2077	1,209	OP	–	1998	24.6
Tangkulap Estate, Labuk-Sugut	Leasehold expiring 2080-2086	2,277	OP	–	2001	124.0
Bimbingan Estate, Labuk-Sugut	Leasehold expiring 2083	3,893	OP	–	2001	151.8
Pamol Plantations, Labuk-Sugut	Leasehold expiring 2037, 2081, 2097	1,792	OP	–	2003-2007	52.7
Pamol Estates, Labuk-Sugut	Leasehold expiring 2888	8,186	OP	1	2003	385.0
Milik Berganda Estate, Labuk-Sugut	Leasehold expiring 2090	5,269	OP	–	2003	146.8
Linbar 1-2 Estates, Kinabatangan	Leasehold expiring 2081	4,840	OP	–	2003	156.4
Mayvin 1-2 Estates, Labuk-Sugut	Leasehold expiring 2079-2081, 2090, 2092	3,423	OP	1	2003	113.4
Mayvin 5-6 Estates, Kinabatangan	Leasehold expiring 2082	3,602	OP	–	2003	117.8
Leepang 1-5 Estates, Kinabatangan	Leasehold expiring 2030-2039, 2078-2102	10,031	OP	2	2003-2009	248.5
Unico 1-5 Estates, Kinabatangan	Leasehold expiring 2081-2101	11,396	OP	1	2013	673.1
Unico 6 Estate, Lahad Datu	Leasehold expiring 2074, 2077-2079	2,264	OP	1	2013	180.6
Sarawak						
Sejap Estate, Baram	Leasehold expiring 2058	4,960	OP	–	2002	27.6
Tegai Estate, Baram	Leasehold expiring 2067, 2095	4,038	OP	–	2002	23.9

OP Oil palm
R Rubber

GROUP PROPERTIES (Cont'd)

B. INVESTMENT PROPERTY

Location	Tenure	Land Area	Net Lettable Area	Usage	Age of Building (Year)	Net Carrying Amount as at 30 June 2016 RM million
No. 7 Jalan Kenari 5 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Freehold	465 sq m	1,650 sq m	1 unit 3½ storey shop office	21	6.9

C. INDUSTRIAL PROPERTIES

Location	Tenure	Land Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2016 RM million
Country lease 075365632, 075376279 075376260 & 075469340 Sg Mowtas and Batu Sapi Sandakan Sabah	Leasehold expiring 2039, 2042, 2044	22 hectares	Palm oil refinery and palm based renewable energy	19	1995	94.3
Lorong Perusahaan Satu Prai Industrial Complex 13600 Prai Penang	Leasehold expiring between 2035-2071	180,263 sq m	Offices and factory sites Factory site	37 1-15	2001	66.6 34.5
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai Penang	Leasehold expiring 2025	13,400 sq m	Bulk cargo terminal	42	2001	0.2
Deep Water Wharves 12100 Butterworth Penang	Leasehold expiring 2030	5,663 sq m	Bulking installation	42	2001	–
PT 110296 & 216213 Jalan Pekeliling HS(D) 160988 PTD 89217 Mukim Plentong Pasir Gudang Johor Bahru Johor Darul Takzim	Leasehold expiring 2037, 2041, 2052	14.4 hectares	Factory complex and vacant industrial land	26-35	2005	140.1

C. INDUSTRIAL PROPERTIES (Continued)

Location	Tenure	Land Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2016 RM million
PT 17368, Jalan Pekeliling PT 101373 & PT 80565, Jalan Timah PT 101367, Jalan Tembaga Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2038, 2047, 2051	11.6 hectares	Factory complex	29	2007	33.1
Plot 1-2-4, A7-6 TEDA 300457 Tianjin The People's Republic of China	Leasehold expiring 2024	34,375 sq m	Offices and factory sites	27	2001	–
Durkee Road 24708 W Channahon Illinois United States	Freehold	36 hectares	Specialty oils and fats manufacturing facilities	14-46	2002	81.3
Loders Croklaan Hogeweg 1, 1520 Wormerveer The Netherlands	Freehold	6 hectares	Specialty oils and fats manufacturing facilities	25-46	2002	111.2
Antarcticaweg 191 Harbour 8228 3199 KA Maasvlakte Rotterdam The Netherlands	Leasehold expiring 2029	15 hectares	Palm oil refinery and specialty oils and fats manufacturing facilities	11-15	2004	238.3
195 Belfield Rd. Rexdale, Ontario M9W-1G8 Canada	Freehold	9,308 sq m	Specialty oils and fats manufacturing facilities	40	2002	9.9
Industrial Park III Lots 15 & 16 Jundiai Brazil	Freehold	12,031 sq m	Vacant land	–	2010	4.3
Dusun Arang-Arang Air Hitam Hulu Kecamatan Kendawangan Kabupaten Ketapang Kalimantan Barat, Indonesia	*	122,444 sq m	Palm oil mill	2	^	32.9
No 101 Cangjiang Road Haicang District, Xiamen Fujian Province The People's Republic of China	Leasehold expiring 2064	160,004 sq m	Specialty oils and fats manufacturing facilities	#	2015	32.2

GROUP PROPERTIES (Cont'd)

C. INDUSTRIAL PROPERTIES (Continued)

Location	Tenure	Land Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2016 RM million
Zur Hafenspitze 15 19322 Wittenberge Germany	Freehold	60,000 sq m	Factory complex	15	2016	10.9
Arthur-Imhausen-Strasse 92 D-58453 Witten Germany	Perpetual lease	24,000 sq m	Factory complex	25	2016	38.9

Notes:

* *Yet to be determined.*

^ *Self constructed and completed in year 2015.*

\# *Under construction.*

D. OTHER PROPERTIES

Location	Tenure	Land/Built Up Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2016 RM million
HS(D) 45890 PT 9427 Mukim Petaling Selangor Darul Ehsan	Freehold	1,803 sq m	Petrol station land	–	1992	–
Lot 40476 & 40480 Daerah Wilayah Persekutuan Kuala Lumpur	Freehold	3,018 sq m	Bungalow plots	–	1992	2.0
Lot 200-203 Taman Air Biru Mukim Plentong Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2070	1,807 sq m	4 units double storey semi-detached house	36	2005	0.2
Geran 1341, Lot 12040 Mukim of Tangkak Johor Darul Takzim	Freehold	2 hectares	Vacant land	–	1998	0.1
Lot 51665 Mukim Plentong Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2043	2,968 sq m	Vacant land	–	2009	0.4

D. OTHER PROPERTIES (Continued)

Location	Tenure	Land/Built Up Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2016 RM million
Country lease 115325534 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2914	2 hectares	Vacant land	–	1993	0.1
Country lease 115325543, 116179269 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2058, 2914	5 hectares	Vacant land	–	1993	0.1
Country lease 115310926 Jalan Segama Lahad Datu Sabah	Leasehold expiring 2932	1 hectare	Regional office	15	1993	–
Country lease 075349343, 075349352 Lot 34, Phase 7A Northern Ring Road Sandakan Sabah	Leasehold expiring 2882	417 sq m	3 storey shop/office	2	2015	1.3
302-H, Jalan Relau Desaria, 11900 Sg Ara Penang	Freehold	167 sq m	Shoplot	21	2001	0.2
Lot 8165, Mukim 12 Sg Ara Estate Penang	Freehold	1,799 sq m	Future development land	–	2001	0.2
Lots 429, 432 & 434 Bukit Sebukor Bukit Baru, Melaka Tengah Melaka	Freehold	19 hectares	Future development land	–	1990	1.2

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Seventh Annual General Meeting (**"AGM"**) of the Company will be held at Putrajaya Ballroom I (Level 3), Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Malaysia on Friday, 28 October 2016 at 10:00 am for the following purposes:

AGENDA

1 To receive the Audited Financial Statements for the financial year ended 30 June 2016 and the Reports of the Directors and Auditors thereon. **Please refer to Note A**

2 To re-elect the following Directors retiring by rotation pursuant to Article 101 of the Company's Articles of Association:

(i) Datuk Karownakaran @ Karunakaran a/l Ramasamy **Resolution 1**

(ii) Mr Lim Tuang Ooi **Resolution 2**

(Please refer to Note B)

3 To consider and if thought fit, to pass the following as Ordinary Resolutions in accordance with Section 129 of the Companies Act, 1965:

(i) "THAT Tan Sri Dato' Lee Shin Cheng, a Director retiring pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Resolution 3**

(ii) "THAT Tan Sri Peter Chin Fah Kui, a Director retiring pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting." **Resolution 4**

(Please refer to Note B)

4 To consider and if thought fit, to pass the following as an Ordinary Resolution:

"THAT the payment of Directors' fees of RM1,195,000 for the financial year ending 30 June 2017 payable quarterly in arrears after each month of completed service of the Directors during the financial year, be and is hereby approved." **Resolution 5**

(Please refer to Note C)

5 To re-appoint Messrs BDO, the retiring auditors for the financial year ending 30 June 2017 and to authorise the Audit and Risk Management Committee to fix their remuneration. **Resolution 6**

(Please refer to Note D)

6 As special business, to consider and if thought fit, to pass the following Ordinary Resolutions:

6.1 Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised with full powers to allot and issue shares in the Company from time to time and upon such terms and conditions and for such purposes as they may deem fit subject always to the approval of the relevant authorities being obtained for such issue and provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital for the time being of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued." **Resolution 7**

6.2 Proposed Renewal of Existing Share Buy-Back Authority

"THAT subject to compliance with applicable laws, regulations and the approval of all relevant authorities, approval be and is hereby given to the Company to utilise up to the aggregate of the Company's latest audited retained earnings and share premium account, to purchase, from time to time during the validity of the approval and authority under this resolution, such number of ordinary shares of nominal value RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad (**"Bursa Securities"**) upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased and/or held by the Company pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at the time of purchase (**"Proposed Purchase"**);

THAT at the discretion of the Directors of the Company, the shares of the Company to be purchased are to be cancelled and/or retained as treasury shares and distributed as dividends or resold on Bursa Securities;

THAT the Directors of the Company be and are hereby empowered generally to do all acts and things to give effect to the Proposed Purchase with full powers to assent to any condition, modification, revaluation, variation and/or amendment (if any) as may be imposed by the relevant authorities and/or do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company;

AND THAT such authority shall commence immediately upon passing of this resolution until:

(i) the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next Annual General Meeting after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting,

whichever is the earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Securities or any other relevant authorities." **Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

6.3 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

"THAT subject always to the provisions of the Companies Act, 1965 (**"the Act"**), the Memorandum and Articles of Association of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for day-to-day operations involving the interests of Directors, Major Shareholders or persons connected to the Directors and/or Major Shareholders of the Company and its subsidiaries (**"Related Parties"**), as detailed in Part B, Section 4 of the Circular to Shareholders of the Company dated 29 September 2016 (**"Shareholders' Mandate"**) subject to the following:

(i) the transactions are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year.

THAT authority conferred by this resolution will commence immediately upon the passing of this resolution and shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless renewed by a resolution passed by the shareholders of the Company in a general meeting;

(ii) the expiration of the period within which the next Annual General Meeting of the Company after that date it is required to be held pursuant to Section 143(1) of the Act *(but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act)*; or

(iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier,

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Resolution 9**

7 To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board,

Vincent Tan Choong Khiang
Secretary (MAICSA 7018448)

Putrajaya
29 September 2016

Notes

1 A member may appoint any person to be his proxy and there shall be no restriction as to the qualification of the proxy. The provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2 An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

3 Subject to Note 4 below, a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. If a member appoints two (2) proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy and only one (1) of those proxies is entitled to vote on show of hands.

4 Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of 25A(1) of the SICDA.

5 An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.

6 An instrument appointing a proxy must be deposited at Boardroom Corporate Services (KL) Sdn Bhd, Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding the meeting or any adjournment thereof.

7 Only members whose names appear in the Record of Depositors as at **21 October 2016** shall be eligible to attend the AGM or appoint proxy to attend and vote on his behalf.

8 **Note A – To receive Audited Financial Statements for the financial year ended 30 June 2016**

This Agenda item is meant for discussion only as under the provision of Section 169(1) of the Companies Act, 1965, the audited financial statements do not require a formal approval of the shareholders. Hence, this resolution will not put forward for voting.

The 2016 Annual Report (which includes the Financial Report, the Directors' Report and the Independent Auditor's Report) will be presented to the meeting. Shareholders can access a copy of the 2016 Annual Report at IOI Corporation Berhad ("IOI Corp")'s website, www.ioigroup.com.

The Chairman will give shareholders an opportunity to ask questions about, and make comments on, the financial statements and reports and IOI Corp's performance.

Shareholders will also be given an opportunity to ask the representative(s) of IOI Corp's auditors, Messrs BDO, questions relevant to audit matters, including the Auditor's Report.

9 **Note B – To re-elect Directors/To re-appoint Directors**

Datuk Karownakaran @ Karunakaran a/l Ramasamy and Mr Lim Tuang Ooi are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this AGM.

The Company's Articles of Association states that at each AGM of the Company, one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) must retire from office, provided always that all Directors shall retire from office once at least in each three (3) years, but shall eligible for re-election.

The re-appointment of Tan Sri Dato' Lee Shin Cheng and Tan Sri Peter Chin Fah Kui who have attained the age of 70 years, as Directors of the Company to hold office until the conclusion of the next AGM, shall take effect if the Ordinary Resolutions 3 and 4 are passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or by proxy at this AGM of which not less than 21 days' notice has been given.

Each of the Directors standing for re-election/re-appointment has undergone a performance evaluation and has demonstrated that he remains committed to the role and continues to be an effective and valuable member of the Board. The Board has also conducted assessment on the independence of the Independent Directors who are seeking for re-election/re-appointment and is satisfied that the Independent Directors have complied with the independence criteria applied by the Company and continue to bring independent and objective judgement to the Board deliberation.

The Board comprises eight (8) Directors, consisting of an Executive Chairman, two (2) Executive Directors and five (5) Non-Executive Directors, whose experience and expertise are derived from a range of industries and sectors providing an invaluable perspective on the Group's business. Biographical details for each Director, including their career history, skills, competencies and experience can be found from pages 60 to 67 of the 2016 Annual Report.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

10 **Note C – To approve Directors' Fees**

The Board has reviewed the Directors' fees after taking into account fee levels and trends for similar positions in the market and time commitment required from the Directors. The payment of Directors' fees for the financial year ending 30 June 2017 shall payable quarterly in arrears after each month of completed service of the Directors during the financial year.

11 **Note D – To re-appoint auditors**

The Company's Auditors must offer themeselves for re-appointment at each AGM at which Audited Financial Statements are presented. The performance and effectiveness of the Auditors has been evaluated by the Audit and Risk Management Committee, which included an assessment of the Auditors' independence and objectivity, which has recommended to the Board that Messrs BDO be re-appointed and its remuneration be determined by the Audit and Risk Management Committee.

12 **Explanatory Notes on Special Businesses**

i Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

Ordinary Resolution 7 is to seek a renewal of the general mandate which was approved at the 46th AGM of the Company held on 27 October 2015 and which will lapse at the conclusion of the forthcoming AGM to be held on 28 October 2016.

The general mandate, if approved, will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for the purpose of funding future investment project(s) and acquisition(s) and for strategic reasons. In order to eliminate any delay and costs in convening a general meeting to specifically approve such issuance of shares, it is considered appropriate that the Directors be empowered, as proposed under Ordinary Resolution 7, to allot and issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company did not issue any new shares pursuant to Section 132D of the Companies Act, 1965 under the general mandate which was approved at the 46th AGM of the Company.

The Directors currently have no intention of issuing new shares, or of granting rights to subscribe for or to convert any security into shares, except in connection with the Company's executive share option scheme.

ii Proposed Renewal of Existing Share Buy-Back Authority

Ordinary Resolution 8 is to seek a renewal of the authority granted at the 46th AGM of the Company held on 27 October 2015 and which will lapse at the conclusion of the forthcoming AGM to be held on 28 October 2016. The resolution authorises the Company to make market purchases of its own ordinary shares as permitted by the Companies Act 1965.

The Board seeks authority to purchase up to 10% of the Company's issued ordinary shares (excluding any treasury shares), should market conditions and price justify such action.

The Directors only intend to use this authority to make such purchases if to do so could be expected to lead to an increase in net assets value per share for the remaining shareholders and would be in the best interests of shareholders generally, having due regard to appropriate gearing levels, alternative investment opportunities and the overall financial position of the Company. The Company bought back 35,676,300 ordinary shares of RM0.10 each during the financial year ended 30 June 2016.

Any purchases of ordinary shares would be by means of market purchases through the Bursa Malaysia Securities Berhad. Any shares purchased under this authority may either be cancelled or held as treasury shares by the Company. Treasury shares may subsequently be cancelled or sold for cash.

Please refer to explanatory information in the Circular to Shareholders dated 29 September 2016.

iii Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 9 is to seek approval from the shareholders for renewal of the shareholders' mandate granted by the shareholders of the Company at the 46th AGM held on 27 October 2015. The Proposed Shareholders' Mandate will enable the Company and its subsidiaries to enter into any of the recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations involving the interest of Directors, Major Shareholders or persons connected to the Directors and/or Major Shareholders of the Company and its subsidiaries (**"Related Parties"**), subject to the transactions being in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. This authority unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The details of the proposal are set out in the Circular to Shareholders dated 29 September 2016.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

(i) Details of individuals who are standing for election as Directors (excluding Directors standing for a re-election)

No individual is seeking election as a Director at the forthcoming Forty-Seventh Annual General Meeting of the Company.

(ii) Directors standing for re-election/re-appointment

(a) The Directors retiring by rotation and standing for re-election pursuant to Article 101 of the Articles of Association of the Company are as follows:

- Datuk Karownakaran @ Karunakaran a/l Ramasamy
- Mr Lim Tuang Ooi

(b) The Directors seeking for re-appointment under Section 129 of the Companies Act, 1965 are as follows:

- Tan Sri Dato' Lee Shin Cheng
- Tan Sri Peter Chin Fah Kui

The profiles of the above-named Directors are set out in the section entitled "Profile of Directors" on pages 60 to 67 of the Annual Report.

Their shareholdings in the Company and its related corporations are set out in the section entitled "Statement of Directors' Interests" on page 113 of the Annual Report.

SHAREHOLDERS' INFORMATION

as at 30 August 2016

Type of shares : Ordinary shares of RM0.10 each

Voting rights : One vote per shareholder on a show of hands
One vote per ordinary share on a poll

Number of shareholders : 24,830

ANALYSIS OF SHAREHOLDINGS

(Adjusted capital after netting treasury shares)

Size of holdings	No. of holders	Total holdings	%
1 – 99	3,143	29,253	0.00
100 – 1,000	4,735	3,644,708	0.06
1,001 – 10,000	12,320	47,995,217	0.76
10,001 – 100,000	3,753	100,973,615	1.61
100,001 – 314,410,348	872	2,712,570,149	43.14
314,410,349 and above	7	3,422,994,053	54.43
Total	**24,830**	**6,288,206,995**	**100.00**

LIST OF TOP 30 SHAREHOLDERS

(without aggregating securities from different securities accounts belonging to the same person)

Name	No. of shares held	%
1. Vertical Capacity Sdn Bhd	801,300,000	12.74
2. Vertical Capacity Sdn Bhd	615,612,900	9.79
3. Vertical Capacity Sdn Bhd	590,400,000	9.39
4. CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Vertical Capacity Sdn Bhd*	405,000,000	6.44
5. Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	363,275,873	5.78
6. Vertical Capacity Sdn Bhd	326,365,480	5.19
7. AmanahRaya Trustees Berhad *Amanah Saham Bumiputera*	321,039,800	5.10
8. Kumpulan Wang Persaraan (Diperbadankan)	225,685,100	3.59
9. Cartaban Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for Bank J. Safra Sarasin Ltd, Singapore Branch (BSCSG)*	218,189,200	3.47
10. Annhow Holdings Sdn Bhd	123,372,300	1.96
11. AmanahRaya Trustees Berhad *Amanah Saham Wawasan 2020*	90,189,367	1.43
12. AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – AmIslamic Bank Berhad for Vertical Capacity Sdn Bhd*	89,000,000	1.41

LIST OF TOP 30 SHAREHOLDERS (Continued)

(without aggregating securities from different securities accounts belonging to the same person)

Name	No. of shares held	%
13. AmanahRaya Trustees Berhad *Amanah Saham Malaysia*	86,237,000	1.37
14. HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Vertical Capacity Sdn Bhd*	70,000,000	1.11
15. Cartaban Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for State Street Bank & Trust Company*	62,727,180	1.00
16. HSBC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Vertical Capacity Sdn Bhd*	62,000,000	0.99
17. Cartaban Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for Eastspring Investments Berhad*	60,731,501	0.97
18. HSBC Nominees (Asing) Sdn Bhd *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	55,829,578	0.89
19. Cartaban Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for Bank J. Safra Sarasin Ltd, Singapore Branch (BSCSG)*	54,000,000	0.86
20. HSBC Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for JPMorgan Chase Bank, National Association (U.S.A.)*	50,290,806	0.80
21. Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for Public Ittikal Fund*	45,000,000	0.72
22. Citigroup Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for UBS AG Singapore (Foreign)*	37,270,100	0.59
23. RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Rickoh Holdings Sdn Bhd*	32,500,000	0.52
24. Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad*	30,842,513	0.49
25. Permodalan Nasional Berhad	30,733,900	0.49
26. AMSEC Nominees (Tempatan) Sdn Bhd *MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund*	30,380,217	0.48
27. AmanahRaya Trustees Berhad *AS 1Malaysia*	29,362,300	0.47
28. Citigroup Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for AIA Berhad*	27,052,081	0.43
29. AmanahRaya Trustees Berhad *Amanah Saham Didik*	24,782,600	0.39
30. AmanahRaya Trustees Berhad *Public Islamic Dividend Fund*	24,295,733	0.39
Total	**4,983,465,529**	**79.25**

SHAREHOLDERS' INFORMATION (Cont'd)

as at 30 August 2016

SUBSTANTIAL SHAREHOLDERS

(Based on the Register of Substantial Shareholders)

	No. of ordinary shares held			
Name of substantial shareholders	Direct	%	Indirect	%
Tan Sri Dato' Lee Shin Cheng	67,086,100	1.07	*2,972,859,180	47.28
Puan Sri Datin Hoong May Kuan	–	–	**3,039,945,280	48.34
Dato' Lee Yeow Chor	9,000,400	0.14	***2,959,678,380	47.07
Lee Yeow Seng	4,180,400	0.07	***2,959,678,380	47.07
Vertical Capacity Sdn Bhd	2,959,678,380	47.07	–	–
Progressive Holdings Sdn Bhd	–	–	#2,959,678,380	47.07
Employees Provident Fund Board	389,282,373	6.19	–	–
Amanahraya Trustees Berhad – *Amanah Saham Bumiputera*	321,039,800	5.11		

Notes:

* *Deemed interested by virtue of his interest in Progressive Holdings Sdn Bhd ("PH"), which in turn holds 100% equity interest in Vertical Capacity Sdn Bhd ("VC") and shares held by his sons, Dato' Lee Yeow Chor and Lee Yeow Seng.*

** *Deemed interested by virtue of her interest and the interests of her spouse, Tan Sri Dato' Lee Shin Cheng and her sons, Dato' Lee Yeow Chor and Lee Yeow Seng in PH, which in turn holds 100% equity interest in VC and shares held by Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Lee Yeow Seng.*

*** *Deemed interested by virtue of his interest in PH, which in turn holds 100% equity interest in VC.*

Deemed interested by virtue of its interest in VC, the wholly-owned subsidiary.

IOI CORPORATION BERHAD (Company No. 9027-W)
(Incorporated in Malaysia)

PROXY FORM

IOI GROUP

I/We ____
(Please use block letters)

NRIC/Co. No. ______________________ Mobile Phone No. ______________

of ____

being a member(s) of **IOI Corporation Berhad**, hereby appoint ____

NRIC/Co. No. ____

of ____

and/or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the **Forty-Seventh Annual General Meeting** ("AGM") of the Company to be held at **Putrajaya Ballroom I (Level 3), Putrajaya Marriott Hotel, IOI Resort City, 62502 Sepang Utara, Malaysia on Friday, 28 October 2016 at 10:00 am** or any adjournment thereof.

The proportion of my/our holding to be represented by my/our proxy/proxies are as follows:

First proxy "A" : %
Second proxy "B" : %
100%

No. of Shares Held : ______________

CDS A/C No. : ______________

My/our proxy/proxies shall vote as follows:

(Please indicate with an "✗" or "✓" in the space provided as to how you wish your votes to be cast. If you do not do so, the proxy/proxies will vote, or abstain from voting on the resolutions as he/they may think fit)

No.	Ordinary Resolutions	First Proxy "A"		Second Proxy "B"	
		For	Against	For	Against
1.	To re-elect Datuk Karownakaran @ Karunakaran a/l Ramasamy as a Director				
2.	To re-elect Mr Lim Tuang Ooi as a Director				
3.	To re-appoint Tan Sri Dato' Lee Shin Cheng pursuant to Section 129 of the Companies Act, 1965				
4.	To re-appoint Tan Sri Peter Chin Fah Kui pursuant to Section 129 of the Companies Act, 1965				
5.	To approve Directors' Fees for the financial year ending 30 June 2017 payable quarterly in arrears				
6.	To re-appoint Messrs BDO as Auditors and to authorise the Audit and Risk Management Committee to fix their remuneration				
7.	To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965				
8.	To approve the proposed renewal of existing share buy-back authority				
9.	To approve the proposed renewal of shareholders' mandate for recurrent related party transactions				

Dated this __________ day of ________________ 2016

____
Signature of Shareholder/Common Seal

** Delete if inapplicable.*

Notes:

1 A member may appoint any person to be his proxy and there shall be no restriction as to the qualification of the proxy. The provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2 An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

3 Subject to Note 4 below, a member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. If a member appoints two (2) proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy and only one (1) of those proxies is entitled to vote on show of hands.

4 Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of 25A(1) of the SICDA.

5 An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.

6 An instrument appointing a proxy must be deposited at Boardroom Corporate Services (KL) Sdn Bhd, Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding the meeting or any adjournment thereof.

7 Only members whose names appear in the Record of Depositors as at **21 October 2016** shall be eligible to attend the AGM or appoint proxy to attend and vote on his behalf.

Personal Data Privacy

By submitting the proxy form, the shareholder or proxy accepts and agrees to the collection, use and disclosure of their personal data by the Company (or its agents or service providers) for the purpose of preparation and compilation of documents relating to the AGM (including any adjournment thereof).

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STAMP

The Administration and Polling Agent
IOI CORPORATION BERHAD
Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

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IOI CORPORATION BERHAD (9027-W)

Annual Report 2016

Strength in Fundamentals

IOI CORPORATION BERHAD (9027-W)
Two IOI Square, IOI Resort City, 62502 Putrajaya, Malaysia

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