IOI GROUP

ANNUAL REPORT **2017**

STAYING RESILIENT & RESPONSIVE

Our Vision

"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."

ABOUT IOI CORPORATION BERHAD

IOI Corporation Berhad ("IOI" or the "Company"), listed on the Main Market of Bursa Malaysia Securities Berhad, is a leading global integrated and sustainable palm oil player. Employing more than 30,000 people in 15 countries, it is a fully integrated company that undertakes the plantation and resource-based manufacturing businesses. Its plantation business covers Malaysia and Indonesia with a land bank of more than 230,000 hectares, making it one of the largest plantation owners in the industry. Its downstream resource-based manufacturing business includes refining of palm oil as well as manufacturing of oleochemical and specialty oils and fats, with strong presence in Asia, Europe and USA.

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:

INTEGRITY
which is essential and cannot be compromised

COMMITMENT
as we do what we say we will do

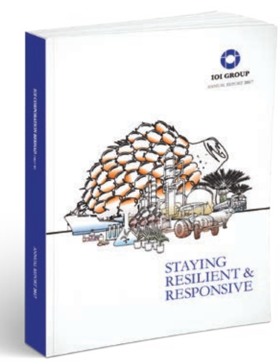
LOYALTY
is crucial because we are one team sharing one vision

COST EFFICIENCY
is crucial as we need to remain competitive

SPEED or TIMELINESS
in response is important in our ever changing business environment

INNOVATIVENESS
to provide us additional competitive edge

EXCELLENCE in EXECUTION
as our commitments can only be realised through actions and results



STAYING RESILIENT & RESPONSIVE, IOI continues to grow its capabilities, expertise, asset base and commitment to sustainability within a challenging and evolving environment. The Group is anchored on its sterling commitment to deliver as a fully integrated player in the palm oil industry. Firmly building on its key strengths and positively overcoming obstacles, it is fortifying its global position as one of the most efficient integrated palm oil players.

Our Results

DIVIDEND PER SHARE

9.5 sen

2016 – 8.0 sen

EARNINGS PER SHARE

11.82 sen

2016 – 9.99 sen

PROFIT BEFORE INTEREST AND TAXATION

RM1.56 billion

2016 – RM1.45 billion

MARKET CAPITALISATION
at 13 September 2017

RM29.16 billion

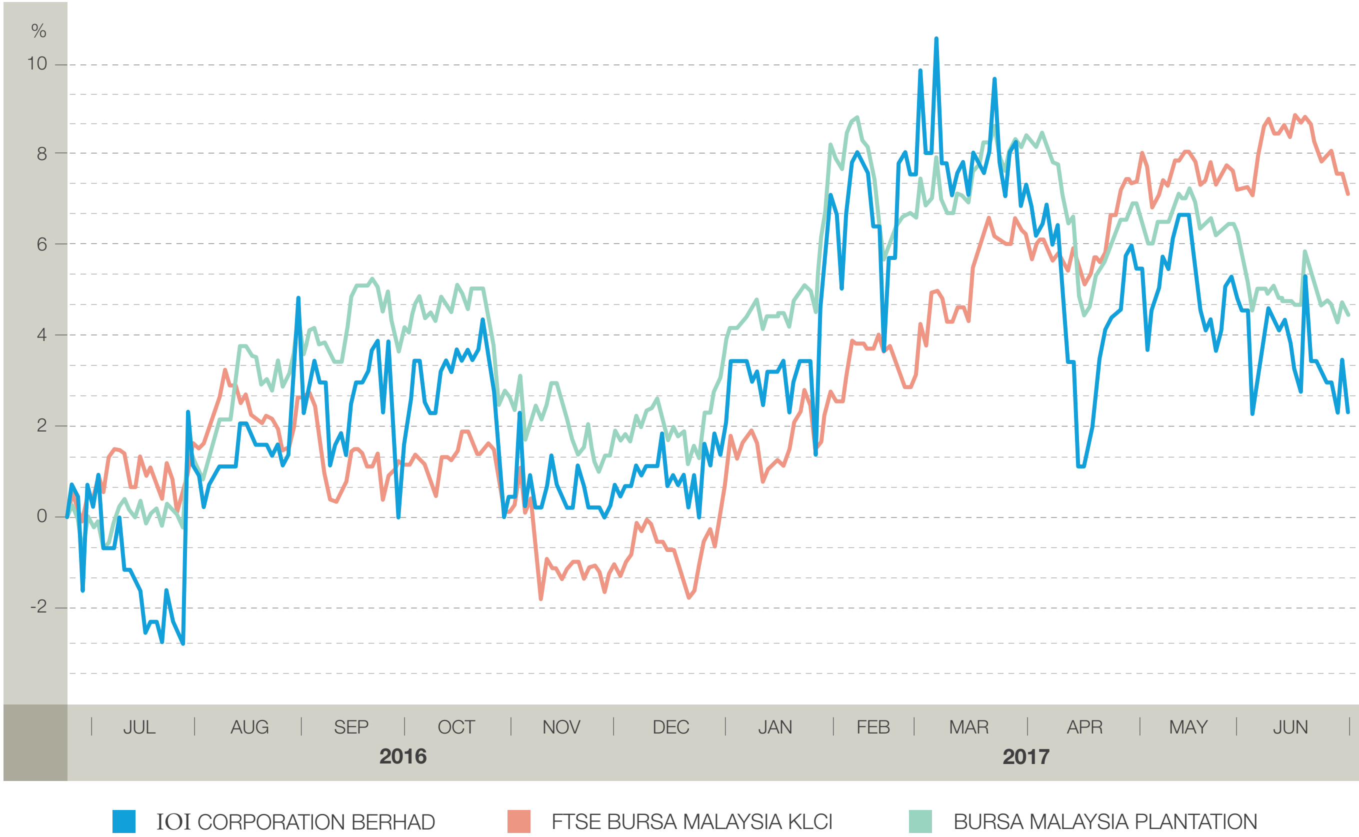
30 June 2017 – RM27.96 billion
30 June 2016 – RM27.29 billion

SHARE PRICE
at 13 September 2017

RM4.64

30 June 2017 – RM4.45
30 June 2016 – RM4.34

Key Indicators



In RM million unless otherwise stated	2017 MFRS	2016 MFRS	2015 MFRS	2014 FRS	2013 FRS
FINANCIAL					
Profit before interest and taxation	**1,560.2**	1,449.6	1,240.4	1,927.4	1,622.6
Profit attributable to owners of the parent	**743.2**	629.7	51.9	3,373.0	1,973.7
Equity attributable to owners of the parent	**7,457.4**	7,138.1	7,069.0	6,036.8	13,650.5
Return on average shareholders' equity (%)	**10.18**	8.86	0.68	34.27	15.03
Basic earnings per share (sen)	**11.82**	9.99	0.82	52.93	30.88
Gross dividend per share (sen)	**9.5**	8.0	9.0	20.0	15.5
PLANTATION					
FFB production (MT)	**3,155,628**	3,145,317	3,542,222	3,506,706	3,408,935
Total oil palm area (Ha)	**174,396**	179,271	178,768	174,061	160,626
MANUFACTURING					
OLEOCHEMICAL					
Plant utilisation (%)	**80**	82	85	84	80
Sales (MT)	**582,458**	595,820	586,076	583,555	561,001
REFINERY					
Plant utilisation (%)	**63**	62	66	68	70
Sales (MT)	**2,414,773**	2,427,326	2,591,197	2,706,786	3,052,027
SPECIALTY OILS AND FATS					
Plant utilisation (%)	**57**	47	52	50	56
Sales (MT)	**766,188**	782,972	773,767	735,099	734,691

Note: *In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the above information from FY2015 to FY2017 have been prepared in accordance with MFRS, whereas information from FY2013 to FY2014 have been prepared in accordance with Financial Reporting Standards ("FRS").*

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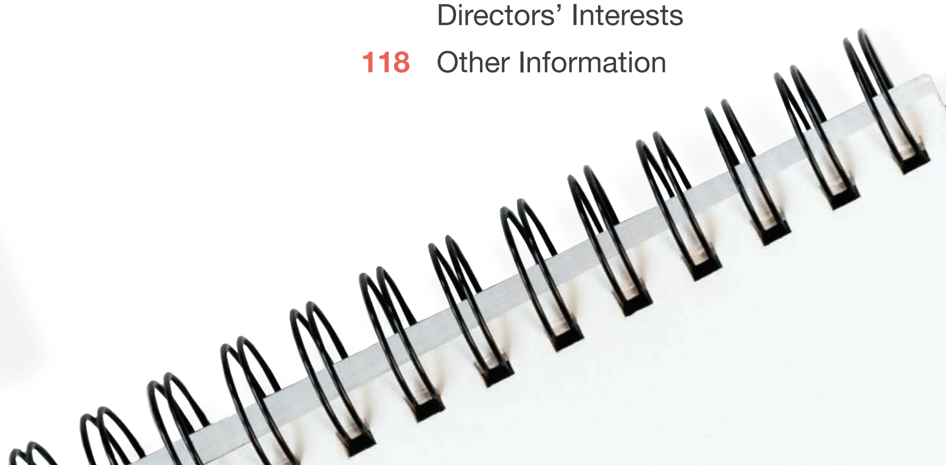

FINANCIAL REPORTS

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NOTICE OF ANNUAL GENERAL MEETING (“AGM”)

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“48th 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 : Monday, 30 October 2017

Time : 10:00 am”

Chairman's Statement

OPERATING ENVIRONMENT

During the year under review, the global economy was surrounded with uncertainties driven by concerns over major issues in advanced economies such as the outcome of the Brexit referendum in UK and the presidential election in US. China's Gross Domestic Product ("GDP") grew at 6.7% in 2016, the slowest in 26 years but still within the government's target range. The world GDP recorded the lowest growth rate in 2016 since the Global Financial Crisis. Nonetheless, during the first half of 2017, the global economy had been gaining steam in recovery on the back of improvement in both advanced and emerging market economies.

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 2017 ("FY2017").

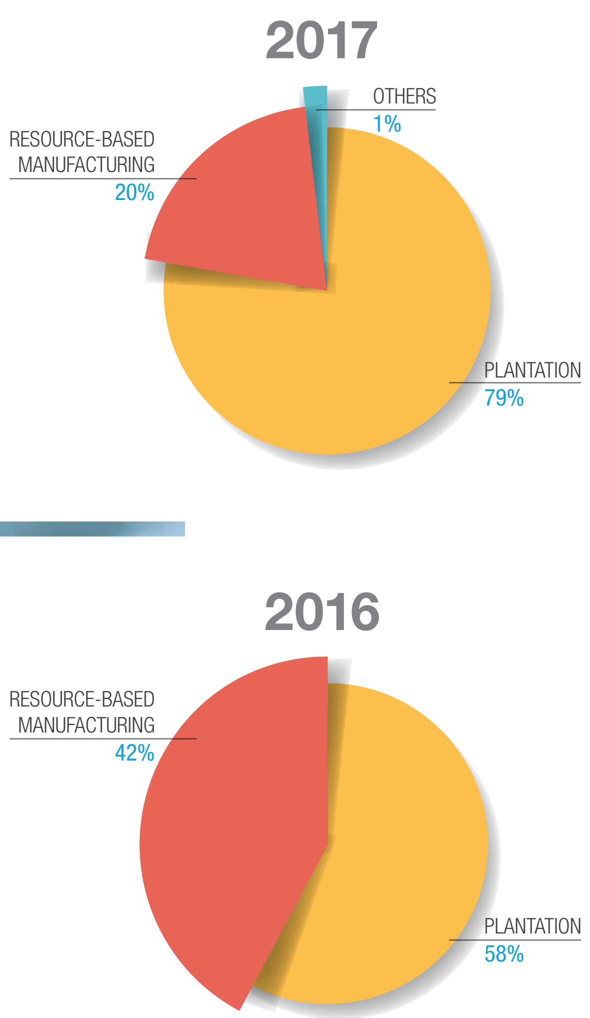
TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

On the local front, the Malaysian economy reported a relatively strong GDP growth of 5.7% during the first half of 2017, boosted by strong export growth and higher domestic demand. As for the foreign currency exchange ("FX") market, the US Dollar ("USD") against Ringgit rate started an upward trend after President Trump's victory in November 2016. The rate reached its peak at 4.50 level in early January 2017 before declining, and settled down at around 4.30 level at the end of June 2017.

For the palm oil sector, the El Nino effect continued to impact the industry in the beginning of FY2017, and lower fresh fruit bunches ("FFB") yields were reported in the first half of FY2017. On the other hand, the low palm oil stock coupled with the weaker Ringgit boosted the palm oil prices considerably during the same period. The crude palm oil ("CPO") price surged from around RM2,400/Metric Tonne ("MT") in early July 2016 to almost RM3,300/MT level in February 2017, an increase of approximately 35%. In line with the gradual recovery in production as the El Nino effect faded, the CPO price subsequently softened to around RM2,600/MT level at the end of June 2017.

The raw material price hike and tight supply of feedstock posted a challenging operating environment for the downstream businesses. Palm oil refineries experienced squeeze in margins as well as excess capacity in the market place. The upward trend of the palm kernel oil ("PKO") prices continued to add pressure on the margins of the oleochemical industry until the third quarter of FY2017 when the price surge came to a halt. The palm-based specialty oils and fats industry being food-based was more resilient and was supported by some positive market developments such as the ban on use of partially hydrogenated oils in June 2018 and the new two-child policy in China promoting more sales of infant milk products.

Contribution to Segment Results



Chairman's Statement

REVIEW OF RESULTS

For FY2017, the Group reported a Profit Before Tax ("PBT") of RM1,087.2 million, 13% higher than the PBT of RM965.8 million reported for FY2016. The higher PBT is due mainly to higher contribution from the plantation segment and slightly lower net foreign currency translation loss on foreign currency denominated borrowings, offset against the fair value loss on derivative financial instruments from the resource-based manufacturing segment. Excluding the net foreign currency translation loss on foreign currency denominated borrowings of RM298.8 million (FY2016 – RM318.5 million) and fair value loss on derivative financial instruments from the resource-based manufacturing segment of RM70.3 million (FY2016 – gain of RM120.9 million), the underlying PBT of RM1,456.3 million is 25% higher than the underlying PBT of RM1,163.4 million for FY2016.

The plantation segment's profit of RM1,230.5 million for FY2017 is 46% higher than RM842.2 million reported for FY2016. The higher profit reported is due mainly to higher CPO and palm kernel ("PK") prices realised. The CPO and PK prices realised for FY2017 were RM2,766/MT (FY2016 – RM2,249/MT) and RM2,691/MT (FY2016 – RM1,740/MT) respectively.

The resource-based manufacturing segment's profit of RM318.5 million for FY2017 is 47% lower than profit of RM606.4 million reported for FY2016. The lower profit is due mainly to fair value loss on derivative financial instruments of RM70.3 million recognised in FY2017 as opposed to fair value gain of RM120.9 million recognised in FY2016. Excluding the fair value loss/gain on derivative financial instruments, the underlying profit for resource-based manufacturing segment of RM388.8 million for FY2017 is 20% lower than RM485.5 million reported for FY2016. The lower underlying profit is due mainly to lower margin from the refining sub-segment and generally the higher feedstock prices.

During the financial year under review, the Group has generated a net cash inflow from operating activities of approximately RM1.29 billion against RM1.63 billion generated during the last financial year, representing a 21% decrease over the same period last year, due mainly to increasing working capital requirement as a result of higher feedstock prices. The return on average capital employed (excluding the net foreign currency translation loss on foreign currency denominated borrowings) for FY2017 is approximately 7.5% as compared to 7.2% 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 14.3% for this financial year as compared to 13.4% registered in FY2016.

An initiative by IOI's Sustainable Palm Oil department, the Tree Planting Day was launched to rehabilitate and conserve degraded forest buffer zone.

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 9.5 sen per ordinary share amounting to a total payout of approximately RM597.1 million were declared. The dividends were declared out of the total net cash of RM1,287.7 million generated from operating activities for FY2017. The aforesaid total dividend payout represented approximately 46% 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.

As a global plantation leader, IOI continues to rely on its extensive experience in the palm oil industry to pursue higher productivity in its plantation operations.

IOI regularly updates its stakeholders on its policies, sustainability practices and initiatives via various channels and platforms.

During the year, the Company bought back 4,347,000 ordinary shares of the Company from the open market at an average price of RM4.60 per share. On 29 June 2017, the Company cancelled all its accumulated 177,956,200 treasury shares with carrying amount of RM783.4 million or at an average price of RM4.40 per ordinary share.

The Group also continues to maintain healthy cash and cash equivalents, which as at 30 June 2017, stood at RM1.52 billion.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Following IOI's certification suspension from the Roundtable on Sustainable Palm Oil ("RSPO") last April 2016, the Group has refocused its approach to stakeholder engagement and communication and this has paved the way for a cultural change in the organisation. The suspension was subsequently lifted after four months in August 2016 following the creation of a Group Sustainability Steering Committee headed by the Group Chief Executive Officer and a number of major initiatives taken to ensure further progress on IOI's sustainability plans and initiatives.

IOI launched its revised Sustainable Palm Oil Policy ("SPOP") and Sustainability Implementation Plan ("SIP") in August 2016 to reinforce its commitments to no deforestation, no planting on peat, zero burning and no exploitation policies. Subsequently, IOI made further revisions to its SPOP in February and June 2017 to strengthen its commitments in the areas of third-party suppliers, human rights and workplace as well as to apply the newly revised High Carbon Stock Approach methodology and its associated social requirements. Various initiatives including workshops, trainings and meetings have been held to communicate a more rigorous supply chain policy commitment that applies to IOI's third-party suppliers.

The journey to sustainability may be long and arduous but IOI is committed to be at the forefront in promoting sustainable development in the palm oil industry including implementing a sustainable global palm oil supply chain.

Besides integrating sustainability into its business operations, the Group also undertakes many CSR activities which are carried out mainly through Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC"), a charitable foundation funded entirely by the Group. To date, Yayasan TSLSC has contributed about RM43 million to various schools, hospitals, welfare homes and charitable bodies, and has given out scholarships, grants and awards to more than 2,500 students.

The Group's detailed sustainability efforts and updates on its performance and progress are highlighted in its maiden standalone Sustainability Report for year 2017.

BUSINESS DEVELOPMENTS

On the plantation front, our Indonesian subsidiary group, PT Sawit Nabati Agro ("SNA Group"), has to date planted approximately 20,500 hectares of oil palm trees, of which 11,200 hectares has already matured. Approximately 4,100 hectares of the planted area has been set aside for smallholders under the plasma programme. SNA Group has targeted to plant another 8,000 hectares over the next two years.

In the oleochemical sub-segment, the acquisition of the oleochemical manufacturing business in Germany during the previous financial year has brought in two production plants with a combined processing capacity of approximately 39,000 MT per annum for the oleochemical specialty business. Since

IOI continues to leverage its best agronomic practices and methodical plantation management in creating a sustainable future.

Chairman's Statement

the acquisition, the German subsidiary has launched four new products in the personal care category and is developing a new excipient for pharmaceutical application.

As for the specialty oils and fats sub-segment, efforts were made to regain businesses that were lost due to the temporary suspension by the RSPO and subsequent campaigns by several international non-governmental organisations ("NGOs"). Following the lifting of the suspension and the constant engagements with the NGOs, we saw a steady recovery of multinational customers that we previously lost. The newly constructed 100,000 MT per annum specialty oils and fats plant located in Xiamen, the People's Republic of China is commissioning towards the end of this year. 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.

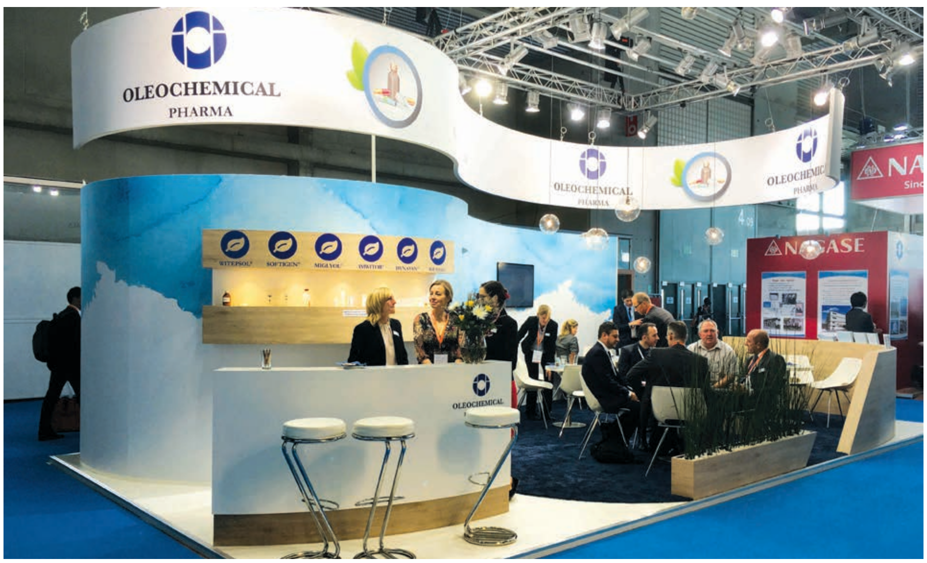
CORPORATE DEVELOPMENTS

On 12 September 2017, the Company has entered into a definitive sale and purchase agreement with Bunge Limited ("Bunge") via its subsidiary, Koninklijke Bunge B.V. to sell a 70% controlling interest in Loders Croklaan Group B.V. ("Loders") and its related businesses for a consideration of EUR297.0 million plus USD595.0 million, subject to certain adjustments. This values the entire Loders and its related businesses at EUR425.0 million plus USD850.0 million, net of external debt and cash and including normalised working capital. The transaction is expected to close in the next 12 months and is subject to regulatory and other customary approvals, including the approval of the Company's shareholders.

IOI Oleochemical Industries Berhad was recognised as the Best Oleochemical Producer in Malaysia by Malaysian Palm Oil Board as a result of its achievements in the industry.

After the transaction, the Company will retain a 30% equity interest in Loders and still play an important role there given our expertise in tropical oils sourcing and our business experience in the fast-growing Asia Pacific Region. The Company will have two representatives on Loders' five-member Board of Directors and our representatives will also be involved in key management decisions taken by Loders. We will continue to be a major supplier of palm oil and palm products to Loders after the transaction.

Going forward, the Company intends to be a vital partner to Bunge in supporting Loders' growth and Bunge's corporate objective to grow their value-added portfolio in edible oils business. Our continued equity interest and involvement in Loders, and the expected significant growth in Loders in the future will support the Company's business focus of being a leading integrated palm oil player with global presence.



IOI Oleo GmbH Pharma team, under IOI Oleochemical, proudly presented its established brands at the prestigious Convention on Pharmaceutical Ingredients in Barcelona, which is the world's leading pharmaceutical exhibition.

IOI Loders Croklaan's upcoming state-of-the-art specialty oils and fats plant in Xiamen, the People's Republic of China is scheduled to be completed by end-2017.

PROSPECTS

The global economy has improved in 2017 and this trend is expected to continue into 2018 with higher growth expected across advanced and emerging economies. On the local front, Malaysia is expected to achieve good GDP growth at around 5% or more this year, after registering a strong growth of 5.7% during the first half of the year.

In the plantation segment, FFB production is expected to increase during this financial year due to recovery in yield and more young palm trees reaching prime production age. Palm oil price is however expected to be resilient due to the moderate stock level and its significant discount to soy bean oil price. In general, the plantation segment is expected to perform satisfactorily during this financial year.

In the resource-based manufacturing segment, the performance of the oleochemical sub-segment is expected to improve due to more stable feedstock prices and anticipated increase in sales volume. As for the specialty oils and fats sub-segment, its performance is expected to be satisfactory with higher business volume from multinational customers and positive market factors as mentioned earlier.

The US Dollar-Ringgit exchange rate which affects the foreign exchange translation gain/loss arising mainly from our medium to long dated US Dollar-denominated borrowings has become less volatile in recent months, and Ringgit has shown signs of strengthening lately due to positive macroeconomic factors for Malaysia.

Overall, the Group expects its operating performance for FY2018 to be satisfactory.

IOI Loders Croklaan's Creative Studio demonstrated its SansTrans™ DD/DF for Frying, catered to its donut fry line. It is made from palm oil and is free of trans fat and partial hydrogenation.

ACKNOWLEDGEMENTS

On behalf of the Board, I wish to take this opportunity to welcome the appointment of Tan Sri Dr Rahamat Bivi Binti Yusoff ("Tan Sri Dr Rahamat") to the Board of Directors effective 15 August 2017. Tan Sri Dr Rahamat had served in the public service for almost 36 years, with experience and knowledge in the field of economy, finance and macro development.

The Group managed to record an overall commendable performance in FY2017 despite it being a challenging year. 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.

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

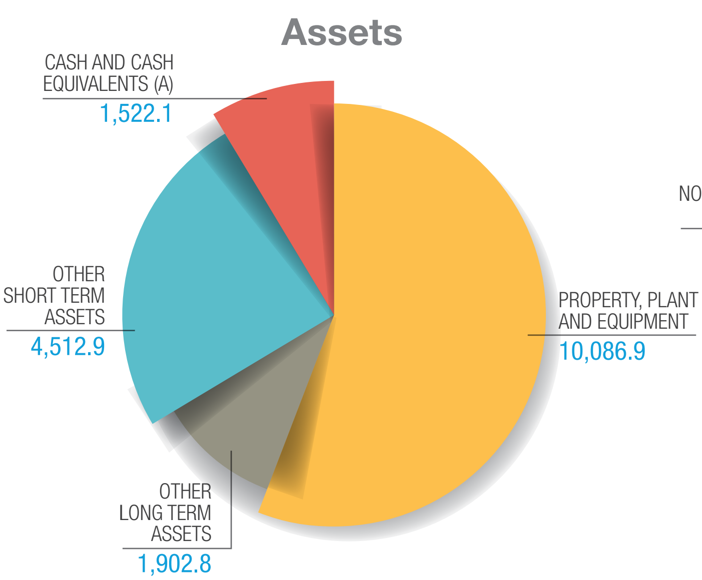
Thank you,

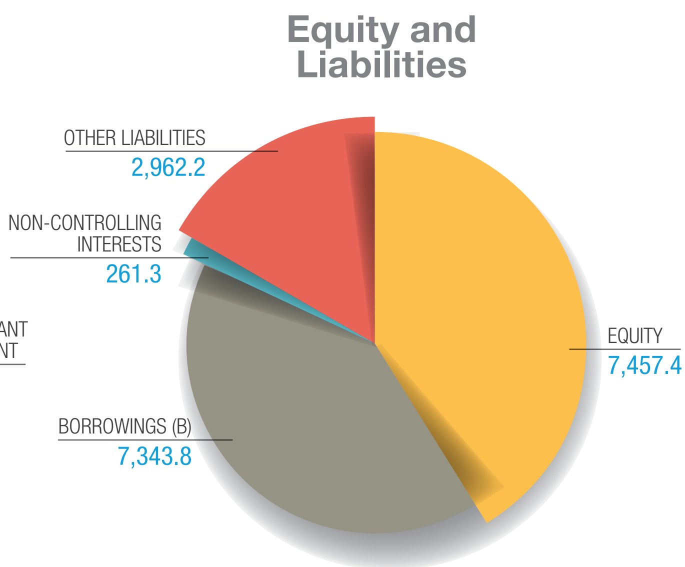
TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

Group Financial Overview

Cash Flow for the Financial Year Ended 30 June 2017 *RM million*	
Net operating cash flow	**1,287.7**
Capital expenditure, net of disposal	**(471.3)**
Free cash flow from operation	**816.4**
Dividends received from investments	**32.5**
Proceeds from issuance of shares to non-controlling interest	**0.3**
Net payment of other investments	**(5.5)**
Shares repurchase by the Company	**(20.0)**
Repayment to non-controlling interest, which is also an associate of the Group	**(81.4)**
Net interest paid	**(185.9)**
Dividend payments	
– Shareholders of the Company	**(565.9)**
– Shareholders of subsidiaries	**(37.9)**
Cash outflow in net borrowings	**(47.4)**
Transaction cost of borrowings	**(2.2)**
Accretion of borrowings	**(2.2)**
Net increase in net borrowings	**(51.8)**
Net borrowings as at 30 June 2016	**(5,443.0)**
Translation difference	**(326.9)**
Net borrowings as at 30 June 2017	**(5,821.7)**

Statement of Financial Position as at 30 June 2017 (RM million)

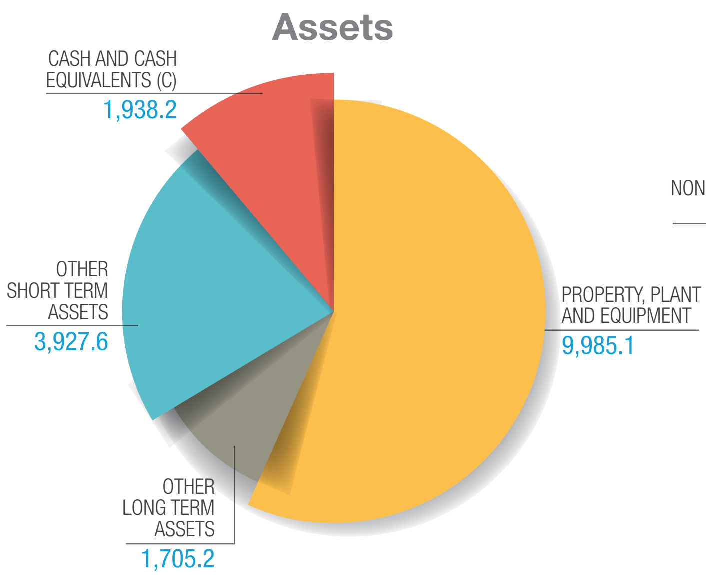


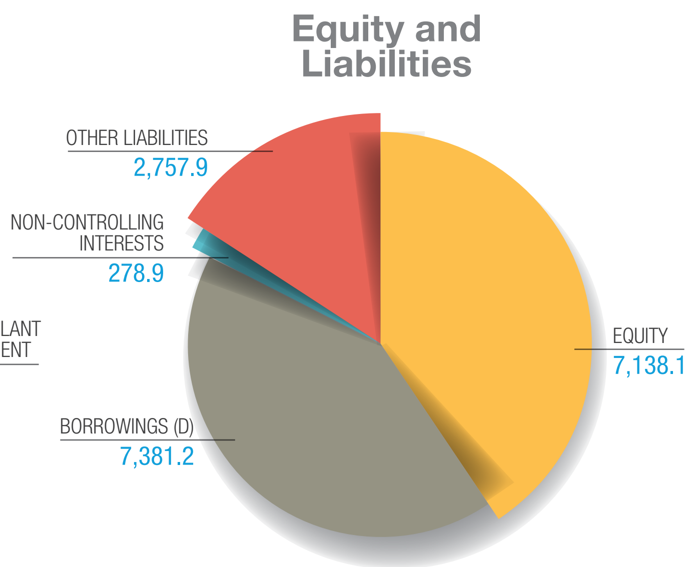


Net Borrowings = (B) – (A) = RM5,821.7 million
Net Gearing = 78%

Retained Earnings for the Financial Year Ended 30 June 2017 *RM million*	
Segment results	1,558.2
Unallocated corporate income	2.0
Profit before interest and taxation	1,560.2
Net foreign currency translation loss on foreign currency denominated borrowings	(298.8)
Net interest expenses	(174.2)
Profit before taxation	1,087.2
Taxation	(331.5)
Profit from continuing operations	755.7
Profit from discontinued operations	10.4
Profit for the financial year	766.1
Other comprehensive income	
Share of reserves of associates arising from changes in accounting estimates	41.8
Remeasurements of the defined benefit obligations	4.4
Share of other comprehensive income of associates	0.2
Total comprehensive income	812.5
Less: Attributable to non-controlling interests	(22.9)
Total comprehensive income attributable to owners of the parent	789.6
Dividends paid	(565.9)
Cancellation of treasury shares	(783.4)
Retained earnings for the financial year	(559.7)
Retained earnings as at 30 June 2016	7,194.9
Retained earnings as at 30 June 2017	6,635.2

Statement of Financial Position as at 30 June 2016 (RM million)





Net Borrowings = (D) – (C) = RM5,443.0 million
Net Gearing = 76%

Group Performance Highlights

In RM million unless otherwise stated	2017	2016	+/(-) %
FINANCIAL PERFORMANCE			
Revenue	**14,127.3**	11,739.3	20
Profit before interest and taxation	**1,560.2**	1,449.6	8
Profit before taxation	**1,087.2**	965.8	13
Net operating profit after taxation ("NOPAT")	**928.2**	812.4	14
Net profit attributable to owners of the parent	**743.2**	629.7	18
Average shareholders' equity	**7,297.8**	7,103.6	3
Average capital employed	**16,335.6**	15,802.9	3
Operating margin (%)	**10.07**	11.54	(13)
Return on average shareholders' equity (%)	**10.18**	8.86	15
Return on average capital employed (%)	**5.68**	5.14	11
Basic earnings per share (sen)	**11.82**	9.99	18
Dividend per share – gross (sen)	**9.5**	8.0	19
Net assets per share (sen)	**119**	114	5
Dividend cover (number of times)	**1.24**	1.25	(1)
Interest cover (number of times)	**6.10**	5.42	13
PLANTATION PERFORMANCE			
FFB production (MT)	**3,155,628**	3,145,317	–
Yield per mature hectare (MT)	**21.66**	21.41	1
Mill production (MT)			
Crude palm oil	**691,184**	697,334	(1)
Palm kernel	**155,426**	163,520	(5)
Oil extraction rate (%)			
Crude palm oil	**21.28**	21.55	(1)
Palm kernel	**4.79**	5.05	(5)
Average selling price (RM/MT)			
Crude palm oil	**2,766**	2,249	23
Palm kernel	**2,691**	1,740	55
MANUFACTURING PERFORMANCE			
OLEOCHEMICAL			
Plant utilisation (%)	**80**	82	(2)
Sales (MT)	**582,458**	595,820	(2)
REFINERY			
Plant utilisation (%)	**63**	62	2
Sales (MT)	**2,414,773**	2,427,326	(1)
SPECIALTY OILS AND FATS			
Plant utilisation (%)	**57**	47	21
Sales (MT)	**766,188**	782,972	(2)

Group Quarterly Results

In RM million unless otherwise stated	1st Quarter	%	2nd Quarter	%	3rd Quarter	%	4th Quarter	%	2017	%
Revenue	3,291.3	23	3,665.7	26	3,472.7	25	3,697.6	26	**14,127.3**	**100**
Operating profit	389.3	27	469.6	33	292.4	21	271.6	19	**1,422.9**	**100**
Share of results of associates	17.3	12	35.2	25	56.3	40	31.9	23	**140.7**	**100**
Share of results of joint ventures	(1.1)	32	(0.2)	6	(0.9)	27	(1.2)	35	**(3.4)**	**100**
Profit before interest and taxation	405.5	26	504.6	32	347.8	22	302.3	20	**1,560.2**	**100**
Interest income	12.8	33	9.1	23	6.2	16	11.0	28	**39.1**	**100**
Finance costs	(57.1)	27	(54.9)	26	(53.2)	25	(48.1)	22	**(213.3)**	**100**
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings	(172.0)	58	(330.0)	110	91.2	(31)	112.0	(37)	**(298.8)**	**100**
Profit before taxation	189.2	17	128.8	12	392.0	36	377.2	35	**1,087.2**	**100**
Taxation	(87.6)	26	(102.2)	31	(86.6)	26	(55.1)	17	**(331.5)**	**100**
Profit from continuing operations	101.6	13	26.6	4	305.4	40	322.1	43	**755.7**	**100**
Discontinued operations	10.4	100	–	–	–	–	–	–	**10.4**	**100**
	112.0	15	26.6	3	305.4	40	322.1	42	**766.1**	**100**
Attributable to owners of the parent:										
From continuing operations	94.4	13	15.6	2	305.3	42	317.5	43	**732.8**	**100**
From discontinued operations	10.4	100	–	–	–	–	–	–	**10.4**	**100**
	104.8	14	15.6	2	305.3	41	317.5	43	**743.2**	**100**
Attributable to non-controlling interests	7.2	32	11.0	48	0.1	–	4.6	20	**22.9**	**100**
	112.0	15	26.6	3	305.4	40	322.1	42	**766.1**	**100**
Basic/Diluted earnings per share (sen)										
From continuing operations	1.50		0.25		4.86		5.05		**11.65**	
From discontinued operations	0.17		–		–		–		**0.17**	
Total	1.67		0.25		4.86		5.05		**11.82**	
Profit before interest and taxation on segmental basis										
Plantation	346.6	28	357.9	29	258.9	21	267.1	22	**1,230.5**	**100**
Resource-based manufacturing	55.1	17	155.4	49	74.3	23	33.7	11	**318.5**	**100**
Other operations	1.3	14	3.6	39	1.9	21	2.4	26	**9.2**	**100**
	403.0	26	516.9	33	335.1	22	303.2	19	**1,558.2**	**100**
Unallocated corporate income/(expenses)	2.5	125	(12.3)	(615)	12.7	635	(0.9)	(45)	**2.0**	**100**
Profit before interest and taxation	405.5	26	504.6	32	347.8	22	302.3	20	**1,560.2**	**100**

Financial Calendar

FINANCIAL YEAR END **30 JUNE 2017**

Announcement of Results

1st Quarter	18 November 2016
2nd Quarter	20 February 2017
3rd Quarter	16 May 2017
4th Quarter	28 August 2017
Notice of Annual General Meeting	29 September 2017
Annual General Meeting	30 October 2017

Payment of Dividends

1st	Interim	
	Declaration	20 February 2017
	Entitlement	7 March 2017
	Payment	16 March 2017
2nd	Interim	
	Declaration	7 August 2017
	Entitlement	28 August 2017
	Payment	15 September 2017

Five-Year Financial Highlights

In RM million unless otherwise stated	2017 MFRS	2016 MFRS	2015 MFRS	2014 FRS	2013 FRS
RESULTS					
Revenue	**14,127.3**	11,739.3	11,541.5	11,910.6	12,198.5
Profit before interest and taxation	**1,560.2**	1,449.6	1,240.4	1,927.4	1,622.6
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings	**(298.8)**	(318.5)	(735.3)	(22.0)	200.4
Net interest expenses	**(174.2)**	(165.3)	(188.7)	(234.6)	(219.5)
Profit before taxation	**1,087.2**	965.8	316.4	1,670.8	1,603.5
Taxation	**(331.5)**	(319.5)	(261.6)	(408.4)	(320.2)
Profit for the financial year from continuing operations	**755.7**	646.3	54.8	1,262.4	1,283.3
Profit for the financial year from discontinued operations	**10.4**	–	–	2,127.3	714.9
Profit for the financial year	**766.1**	646.3	54.8	3,389.7	1,998.2
Attributable to:					
Owners of the parent	**743.2**	629.7	51.9	3,373.0	1,973.7
Non-controlling interests	**22.9**	16.6	2.9	16.7	24.5
ASSETS[1]					
Property, plant and equipment	**10,086.9**	9,999.3	9,765.5	6,410.0	5,928.6
Land held for property development	**–**	–	–	–	1,843.9
Associates	**1,121.1**	937.5	812.7	886.9	870.9
Other assets	**781.7**	767.7	699.0	648.7	6,416.6
	11,989.7	11,704.5	11,277.2	7,945.6	15,060.0
Current assets	**6,035.0**	5,851.6	5,171.3	7,386.0	8,846.7
	18,024.7	17,556.1	16,448.5	15,331.6	23,906.7
EQUITY AND LIABILITIES[1]					
Share capital	**783.8**	646.2	645.9	645.0	643.4
Reserves	**6,673.6**	6,491.9	6,423.1	5,391.8	13,007.1
	7,457.4	7,138.1	7,069.0	6,036.8	13,650.5
Non-controlling interests	**261.3**	278.9	274.1	196.3	280.0
Total equity	**7,718.7**	7,417.0	7,343.1	6,233.1	13,930.5
Non-current liabilities	**6,666.4**	6,314.7	7,240.1	5,601.7	8,307.4
Current liabilities	**3,639.6**	3,824.4	1,865.3	3,496.8	1,668.8
Total liabilities	**10,306.0**	10,139.1	9,105.4	9,098.5	9,976.2
	18,024.7	17,556.1	16,448.5	15,331.6	23,906.7
Net operating profit after tax ("NOPAT")	**928.2**	812.4	266.0	1,709.6	2,208.4
Average shareholders' equity	**7,297.8**	7,103.6	7,628.3	9,843.7	13,128.8
Average capital employed[2]	**16,335.6**	15,802.9	16,432.4	18,322.9	22,010.4
FINANCIAL STATISTICS					
Basic earnings per share (sen)	**11.82**	9.99	0.82	52.93	30.88
Gross dividend per share (sen)	**9.5**	8.0	9.0	20.0	15.5
Net assets per share (sen)	**119**	114	112	95	214
Return on average shareholders' equity (%)	**10.18**	8.86	0.68	34.27	15.03
Return on average capital employed (%)	**5.68**	5.14	1.62	9.33	10.03
Net debt/Equity (%)[3]	**78.07**	76.25	68.75	58.57	32.35
SHARE PERFORMANCE					
Market share price (RM):					
– Highest	**4.81**	5.04	5.28	5.36	5.42
– Lowest	**4.21**	3.70	3.91	4.09	3.70
– Closing	**4.45**	4.34	4.06	5.25	4.40
Trading volume (million)	**1,111**	1,584	1,200	1,563	1,050
Market capitalisation	**27,963.2**	27,290.8	25,664.7	33,366.0	28,097.0

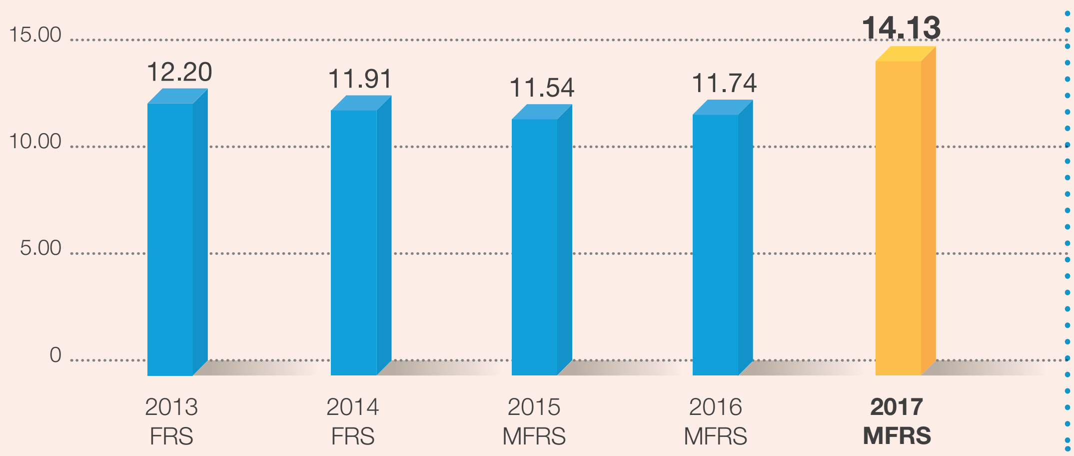
Notes:

[1] *The Assets and Liabilities of FY2013 and FY2016 include respective Assets and Liabilities of the Discontinued Operations.*

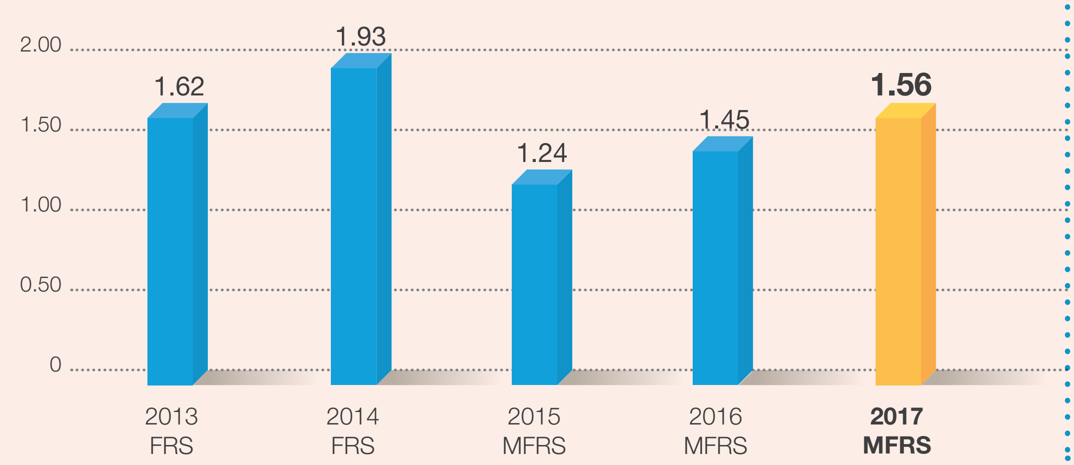
[2] *Average capital employed comprises shareholders' equity, non-controlling interests, long term liabilities, short term borrowings and deferred taxation.*

[3] *Net debt represents total bank borrowings less short term funds, deposits with financial institutions and cash and bank balances.*

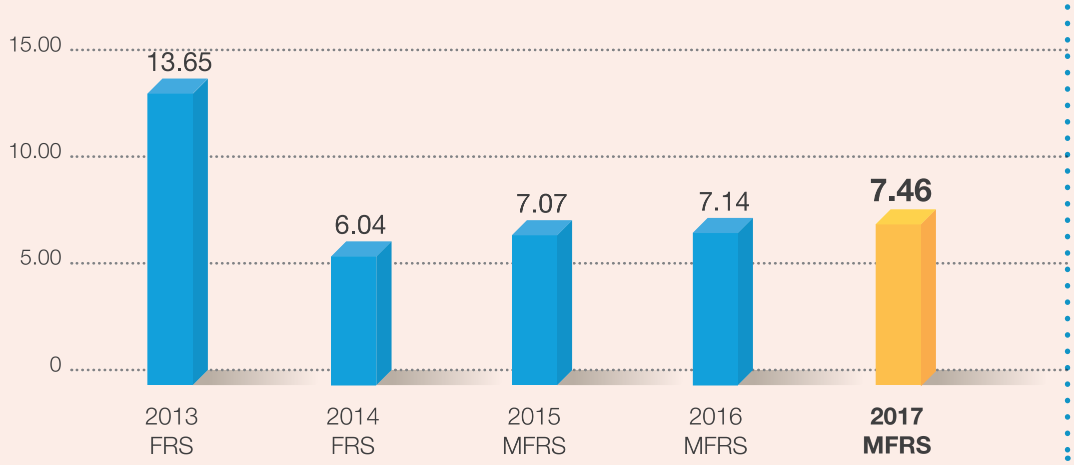
In conjunction with the adoption of Malaysia Financial Reporting Standards ("MFRS") framework by the Group, the above information from FY2015 to FY2017 have been prepared in accordance with MFRS, whereas information from FY2013 to FY2014 have been prepared in accordance with Financial Reporting Standards ("FRS").



Revenue
RM billion



Profit Before Interest and Taxation
RM billion

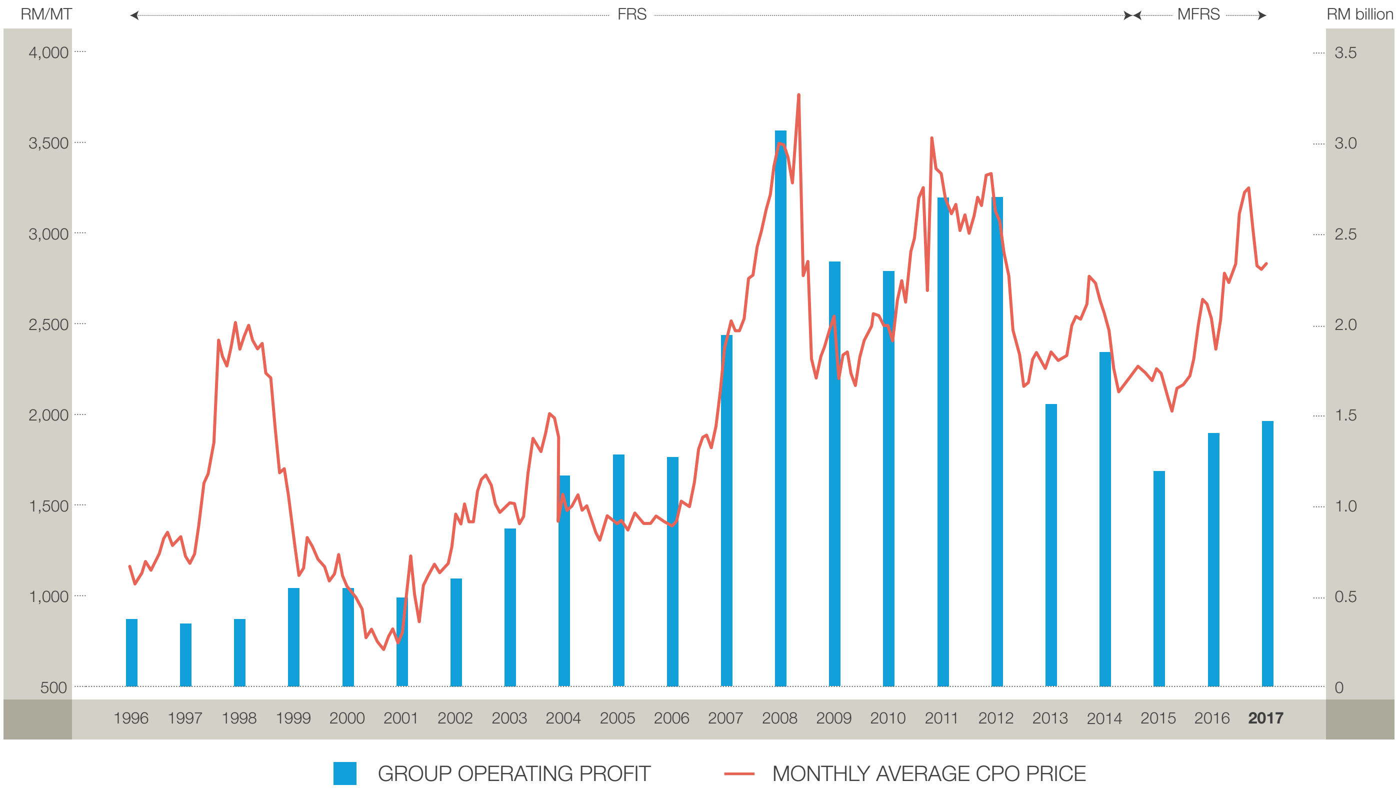


Shareholders' Equity
RM billion

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

		2017	2016	Change %
Profit before interest and taxation ("PBIT")	*RM million*	**1,560.2**	1,449.6	8
Pre-tax earnings	*RM million*	**1,087.2**	965.8	13
Net earnings	*RM million*	**743.2**	629.7	18
Return on average shareholders' equity ("ROE")	*%*	**10.18**	8.86	15
Return on average capital employed ("ROCE")	*%*	**5.68**	5.14	11
Net operating profit after taxation ("NOPAT")	*RM million*	**928.2**	812.4	14
Economic profit	*RM million*	**75.6**	43.7	73
Total returns to shareholders				
– Capital appreciation (per RM0.10 share)	*RM*	**0.11**	0.28	(61)
– Gross dividend (per RM0.10 share)	*sen*	**9.5**	8.0	19
Net cash flow generated from operation	*RM million*	**1,287.7**	1,632.0	(21)
Net gearing	*%*	**78.1**	76.3	2

FINANCIAL HIGHLIGHTS AND INSIGHTS

- The Group's revenue for FY2017 increased by 20% to RM14.1 billion as compared to RM11.7 billion in FY2016. Excluding the inter-segment sales, the revenue from plantation segment increased by 40% whilst the revenue from resource-based manufacturing segment increased by 20%. This is due mainly to higher average selling price for both segments.
- At Group level, the results for FY2017 versus FY2016 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 the **PBIT**, contributions from the segments are as follows:

	2017 RM million	**Mix %**	2016 RM million	Mix %	Change %
Plantation	**1,230.5**	**79**	842.2	58	46
Resource-based manufacturing	**318.5**	**20**	606.4	42	(47)
Palm oil – Total	**1,549.0**	**99**	1,448.6	100	7
Others including unallocated corporate income/expenses	**11.2**	**1**	1.0	–	nm
Group's PBIT	**1,560.2**	**100**	1,449.6	100	8

nm *not meaningful*

- The plantation segment's PBIT increased by 46% to RM1,230.5 million, due mainly to higher CPO and PK prices realised.
- The resource-based manufacturing segment's PBIT decreased by 47% to RM318.5 million. The decrease in profit is due mainly to fair value loss on derivative financial instruments of RM70.3 million (FY2016 – gain of RM120.9 million), lower margin from the refining sub-segment and generally higher feedstock prices.
- The improvement of results for other segment, including unallocated corporate income and expenses is mainly due to better performance from other segment and corporate income recognised in FY2017.
- **Pre-tax Earnings** increased by 13% 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 RM298.8 million (FY2016 – RM318.5 million).
- At the **Net Earnings level**, profit attributable to owners of the parent increased to RM743.2 million.
- The Group's **Net Interest Cover** was 6.1 times (FY2016 – 5.4 times).
- With the increase of net earnings, the Group recorded a **ROE** of 10.18% for FY2017 based on an average shareholders' equity of RM7,297.8 million (FY2016 – RM7,103.6 million), as compared to 8.86% recorded in the previous financial year.
- The **ROCE** increased to 5.68% for FY2017, up from 5.14% for FY2016.
- 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.

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FINANCIAL HIGHLIGHTS AND INSIGHTS (continued)

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

	2017 RM million	2016 RM million
Cash dividend	**597.1**	503.5
Share buy-back	**20.0**	143.2
Total equity repayments	**617.1**	646.7

- The Group generated an **Operating Cash Flow** of RM1,287.7 million for FY2017 against RM1,632.0 million for FY2016. Similarly, **Free Cash Flow** decreased from RM1,156.3 million to RM816.4 million due mainly to increase in net working capital.
- The inventory turnover days of 85 days for FY2017 is in line with the inventory turnover days of 89 days for FY2016.
- The trade receivables turnover days of 31 days for FY2017 is in line with the trade receivables turnover days of 29 days for FY2016.
- As for the cash and cash equivalents, it decreased from RM1.9 billion as at 30 June 2016 to RM1.5 billion as at 30 June 2017, due mainly to decrease in net cash from operating activities and increase in net cash used in financing activities.
- For FY2017, the net gearing ratio of the Group is 78.1%, marginally higher than 76.3% for FY2016.
- The Group's **Shareholders' Equity** as at 30 June 2017 stood at RM7.4 billion, an increase of RM0.3 billion or 4% over the previous financial year. The increase was mainly due to net earnings of RM0.9 billion, offset by total dividend payment of RM0.6 billion during the financial year.
- For FY2017, the Group spent a total of RM508.8 million (FY2016 – RM481.7 million) for **Capital Expenditure ("Capex").**

RETURNS TO SHAREHOLDERS

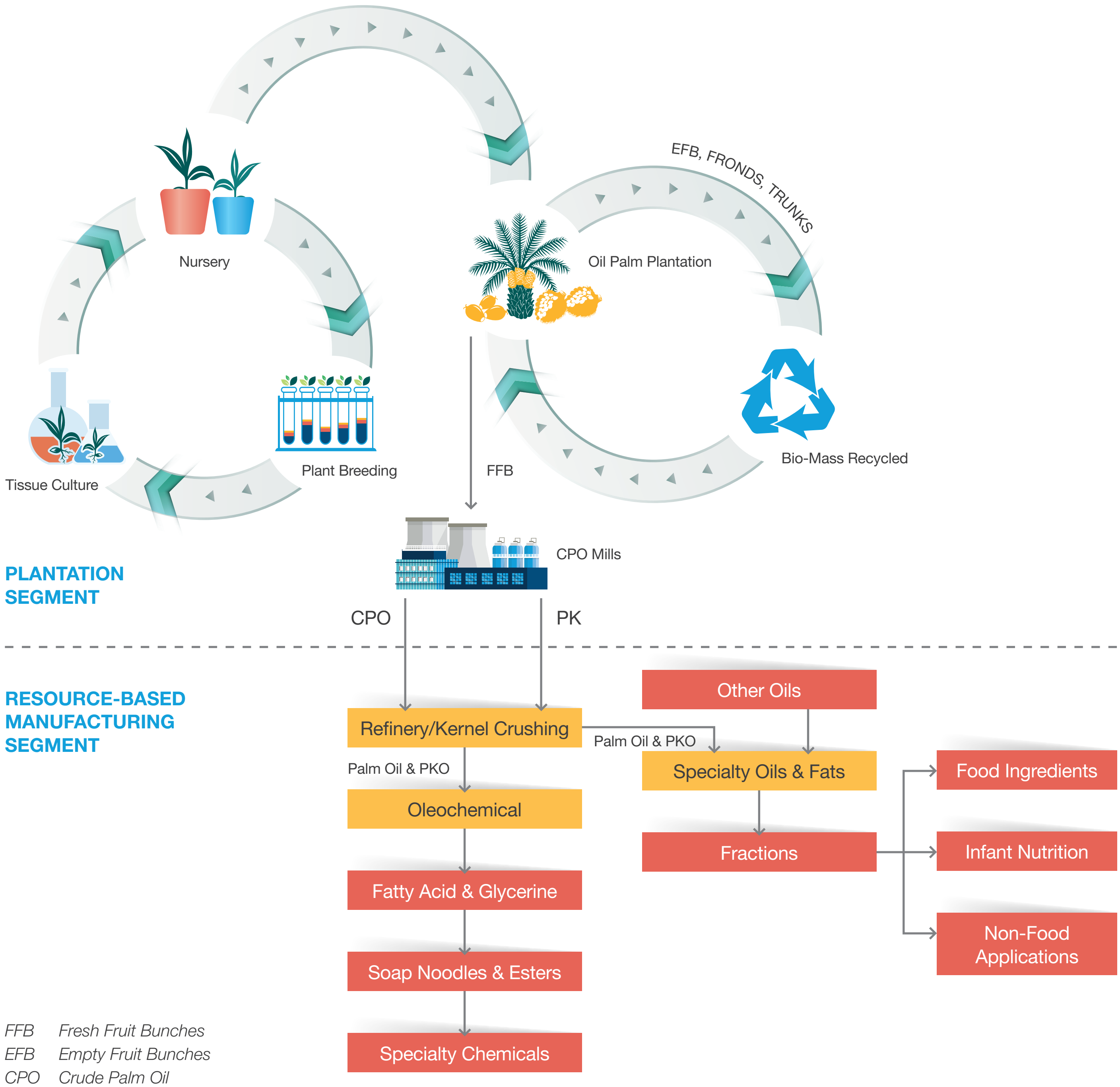
Two interim cash dividends totalling 9.5 sen per ordinary share amounting to a total payout of RM597.1 million were declared for FY2017.

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 2017, 76,000 IOIC Shares worth RM338,200 based on IOIC Share price of RM4.45 and 55,417 IOI Properties Group Berhad Shares ("IOIPG Shares") worth RM121,917 based on IOIPG Share price of RM2.20. 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 18.5% for each of the 37 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 2017 stood at RM1.5 billion, and a net gearing ratio of 78%.

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 2017, approximately 90% (FY2016 – 91%) of our plantation revenue of RM2.3 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

Responding Positively to Challenges

IOI continues to uphold its leadership position in the palm oil industry through steadfast commitment to quality, efficiency and sustainable development. The Group is strengthening and growing its business through innovation and further improvements in its operations. IOI is also proactively adapting its strategies to harness opportunities and mitigate threats from the changing business landscape. IOI's Sustainable Palm Oil Policy remains the cornerstone of its progress and commitment towards a sustainable palm oil production.

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.

Plantation

- Estates & Mills
- Nursery
- Agronomy Development
- Production of Planting Materials

TOTAL PLANTED AREA*

175,447 hectares

* Excludes area owned by associate companies.

TOTAL ESTATES

90

99%

PLANTED WITH OIL PALM

ANNUAL MILLING CAPACITY

4.75 million tonnes

OF FFB

15

PALM OIL MILLS

An overview of the nursery at Morisem Estate in Sabah, Malaysia.

MD&A

As at 30 June 2017, the Group's total planted area owned by subsidiary and associate companies stood at 175,447 hectares (FY2016 – 180,322 hectares) and 130,127 hectares (FY2016 – 125,499 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 174,396 hectares. Approximately 66% of the Group's oil palm plantation holdings are in East Malaysia, 25% in Peninsular Malaysia and the remaining 9% in Indonesia.

IOI's propagation of high-yielding clonal palms continuously improves the yield and quality of oil palms.

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 through oil palm breeding, and carrying out research involving tissue culture to produce planting materials with superior traits.

Over the years, high-yielding oil palm clones are continually being produced from the Tissue Culture Laboratory of IOI Palm Biotech Centre (with BioNexus status) for field planting. The high-yielding clones are produced using the expertise and cutting-edge technology of tissue culture propagation that had been developed through years of intensive and systematic research since the late 80s.

To date, millions of high-yielding clonal palms had been produced and field planted in commercial planting areas. In addition to tissue culture propagation of high-yielding clonal palms, IOI Palm Biotech Centre also carries out in-house molecular and genomic research projects. It has also been a member of an International Consortium involved in collaborative research on Oil Palm Genome Projects (OPGP) since 2009. The International Consortium comprises more than 15 large organisations from countries such as France, Spain, Brazil, Colombia, Indonesia and Malaysia. The objectives of these collaborative researches are to harness the latest development in biotechnological tools to maximise the exploitation and development of genomic

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Group Business Review – Plantation

resources in oil palm, for the continuous improvement in the yield and quality of palm oil, leading to long-term profitability and 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.

PLANTATION STATISTICS

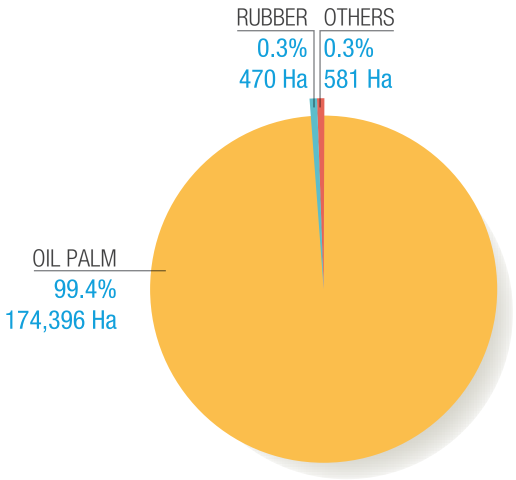
Crop Statement

	2017	2016	2015	2014	2013
OIL PALM					
Average mature area harvested (hectare)	**145,704**	146,912	147,661	146,126	139,379
FFB production (tonne)	**3,155,628**	3,145,317	3,542,222	3,506,706	3,408,935
Yield per mature hectare (tonne)	**21.66**	21.41	23.99	24.00	24.46
Mill production (tonne)					
Crude palm oil	**691,184**	697,334	781,625	751,536	708,028
Palm kernel	**155,426**	163,520	187,718	186,450	179,115
Oil extraction rate (%)					
Crude palm oil	**21.28**	21.55	21.49	21.21	20.84
Palm kernel	**4.79**	5.05	5.16	5.26	5.27
Average selling price (RM/tonne)					
Crude palm oil	**2,766**	2,249	2,221	2,509	2,433
Palm kernel	**2,691**	1,740	1,551	1,709	1,241

Area Statement

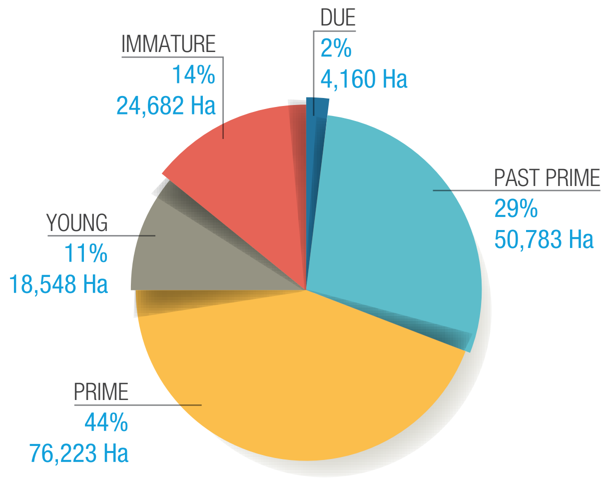
In hectares	2017	2016	2015	2014	2013
OIL PALM					
Mature	**149,714**	148,166	149,749	150,482	142,075
Immature	**24,682**	31,105	29,019	23,579	18,551
	174,396	179,271	178,768	174,061	160,626
RUBBER					
Mature	**415**	282	–	–	–
Immature	**55**	188	470	465	495
	470	470	470	465	495
Others	**581**	581	584	605	633
Total planted area	**175,447**	180,322	179,822	175,131	161,754
Nursery	**142**	143	143	144	114
Estate under development	**8,582**	9,263	8,235	13,241	2,303
Housing projects	**–**	–	–	–	1,242
Labour lines, building sites and others	**33,746**	28,189	18,718	18,605	17,794
Total area	**217,917**	217,917	206,918	207,121	183,207

Crop Mix



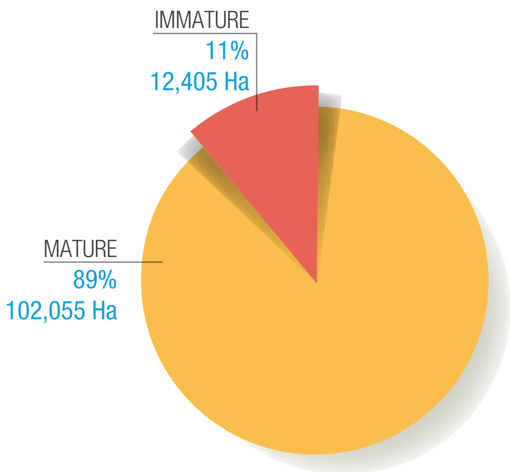
Total Planted Area – 175,447 Ha

Oil Palm Hectarage by Age

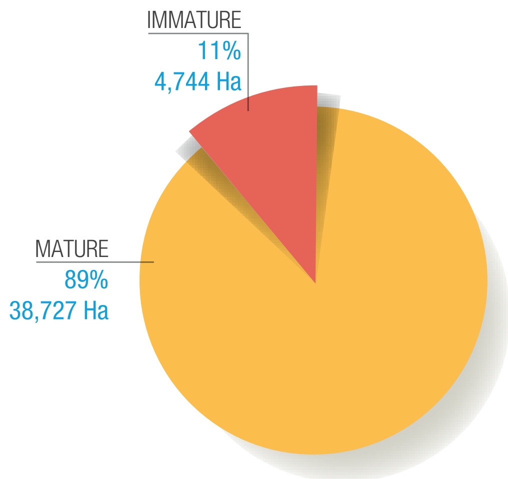


Total Oil Palm Planted Area – 174,396 Ha

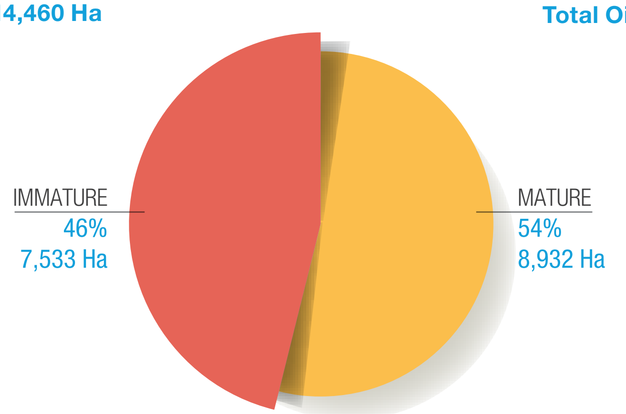
Oil Palm Hectarage by Region



East Malaysia – 66%
Total Oil Palm Area – 114,460 Ha



Peninsular Malaysia – 25%
Total Oil Palm Area – 43,471 Ha

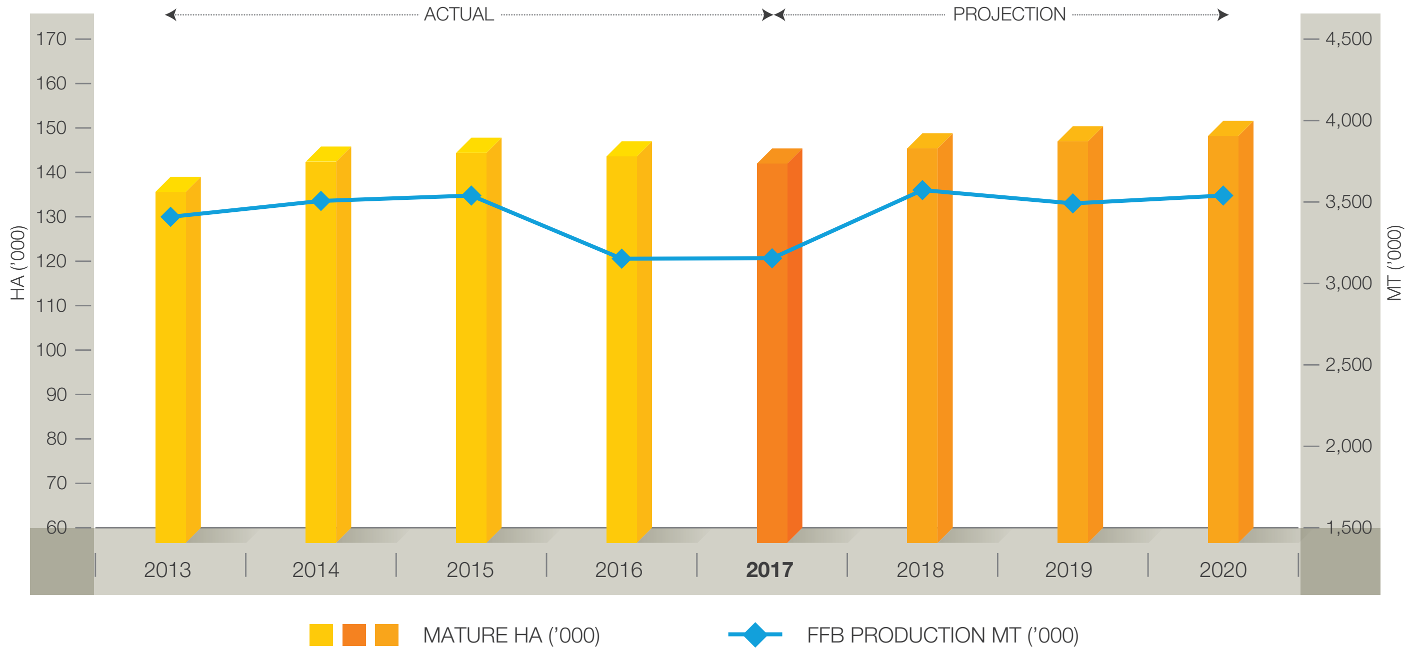


Indonesia – 9%
Total Oil Palm Area – 16,465 Ha

Management's Discussion and Analysis

Group Business Review – Plantation

AVERAGE MATURE OIL PALM AREA HARVESTED/FFB PRODUCTION



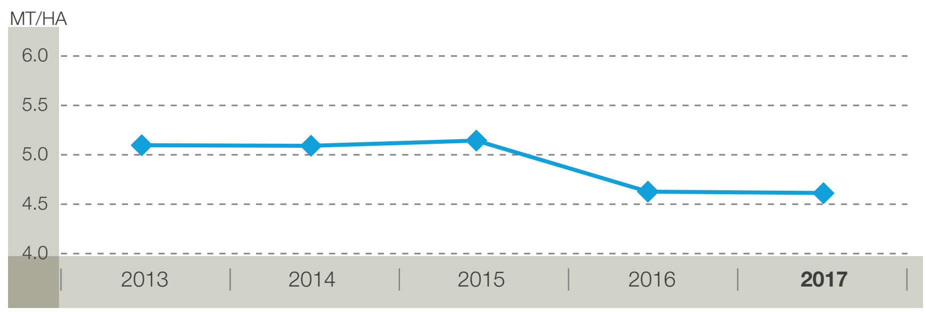
OPERATIONS REVIEW

For FY2017, the Group's plantation segment reported a higher profit of RM1,230.5 million as compared to RM842.2 million for FY2016. The higher profit reported is due mainly to higher crude palm oil ("CPO") and palm kernel ("PK") prices realised.

The Group's estates produced a total of 3.156 million MT of FFB which is about 0.3% higher than the previous year mainly due to higher yield.

The FFB yield improved slightly to 21.66 MT as compared to 21.41 MT per mature hectare in the previous year. However, oil yield remained the same at 4.61 MT per hectare due to lower oil extraction rate from 21.55% to 21.28%.

OIL YIELD PER MATURE HECTARE



At Morisem Estate, barges are one of the most convenient ways to transport CPO to the next destination.

The Group's best performing estate was Kahang Estate in Johor which achieved a yield of 6.91 MT of CPO per hectare for FY2017.

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

	2017 RM'000	2016 RM'000
MPOB cess	**8,707**	8,872
Windfall profit levy	**10,560**	569
Sabah sales tax	**98,470**	79,936
	117,737	89,377

FFB is transported to the mill within 24 hours after being harvested to ensure higher yield and quality of CPO.

For capital expenditure, the segment spent a total of RM246.7 million for FY2017 as compared to RM217.0 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 FY2017, we have replanted 3,333 hectares of oil palm with our own high-yielding materials which include clonal palms. Going forward, we will accelerate our replanting programme, targeting 6,000 hectares per year. As for new planting activities in Indonesia, planting was halted due to IOI's temporary certification suspension by the Roundtable on Sustainable Palm Oil ("RSPO"). Now that the RSPO suspension has been lifted, we plan to complete planting the final phase of about 8,000 hectares of plantable reserves in Indonesia over the next two years.

OUTLOOK AND PROSPECTS

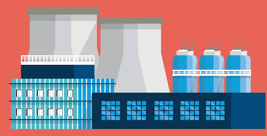
CPO prices continued to trade at above RM2,600/MT in July 2017. We foresee palm oil prices to pick up as demand is holding well due to widening of CPO price discount to soybean oil. Coupled with expected increase in palm production over the next few months, the plantation segment is expected to perform satisfactorily.

IOI employs the environmental-friendly Buffalo-Assisted Harvesting method as part of its FFB collection.


5000
GROUP

Resiliently Advancing as a Global Player

IOI continually optimises opportunities to grow its downstream businesses while being guided by the principles of sustainable development. Backed by a solid foundation of sound knowledge and well-established portfolio, the Group is capitalising on opportunities to expand into new growth markets. Its leadership position is strengthened as it leverages on competitive advantages and continued advancement while managing challenges to create value addition for its stakeholders.



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.

Resource-Based Manufacturing

- Refining
- Oleochemical
- Specialty Oils & Fats

13
MANUFACTURING FACILITIES

COMBINED ANNUAL REFINING CAPACITY OF
3.3
MILLION MT

EXPORT TO
85
COUNTRIES WORLDWIDE

IOI Oleochemical Industries Berhad in Prai, Penang is recognised as the Best Oleochemical Producer in Malaysia.

Management's Discussion and Analysis

Group Business Review – Resource-Based Manufacturing

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 storage, processing and distribution of palm oil products. In that process, we are also able to realise operational efficiencies and synergies.

A site visit at the esterification plant in IOI Oleochemical's German subsidiary in Wittenberge.

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 per annum, the oleochemical sub-segment is one of the leading vegetable-based oleochemical producers in the world.

There are also two production plants in the oleochemical specialty business with a combined processing capacity of approximately 39,000 MT per annum in Germany which serve an established customer base, mainly in the pharmaceutical and cosmetic sectors. This site complements and benefits the fairly new fatty ester production site in Penang through the transfer of advanced technical, application development and process know-how.

The manufacturing facilities at IOI Oleochemical comply with international standards and are certified for excellence in quality.

Management's Discussion and Analysis

Group Business Review – Resource-Based Manufacturing

Our manufacturing facilities are certified and accredited by globally recognised bodies in various aspects of quality and international standards compliance. In pursuit of excellence in the area of quality and energy managements, we have added two more certifications to our list, namely, FSSC 22000 on food safety management system and ISO 50001:2011 on energy management system.

We also continue to reinforce our leadership position in the oleochemical industry as we bagged the prestigious Malaysian Palm Oil Board ("MPOB") Palm Industry Award 2015/2016 for the Best Oleochemical Producer in Malaysia and 10 awards at the 13th Chemical Industries Council of Malaysia ("CICM") Responsible Care Awards 2015/2016.

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.

Detailed and careful inspections are carried out on a product pump at the esterification plant of IOI Oleochemical's German subsidiary in Wittenberge.

Laying the first brick to signal the start of the construction of IOI Loders Croklaan's new plant in Tema, Ghana.

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 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

An aerial view of IOI Pan-Century's manufacturing plants and refinery at Pasir Gudang, Johor.

- **2013** – Acquisition of (previously leased) land, buildings and equipment at Toronto, 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
- **2017** – Installation of new deodoriser at Toronto, Canada to meet the market needs for low 3-MCPD/glycidyl esters
- **2017** – Acquisition of land in Baltimore, USA, to establish a production facility

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).

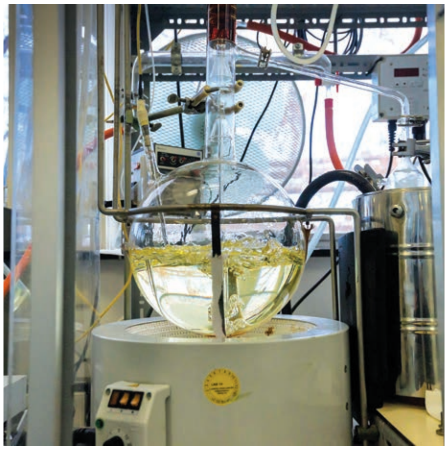
Through the Creative Studio concept, IOI Loders Croklaan establishes new partnerships on product development where our customers' food technologists can work collaboratively with our own lipid experts to create innovative solutions specifically for application to their own products.

The Creative Studio has proven to be an accelerator for new innovations together with our customers, enabling them to quickly respond to market trends, such as the banning of partially hydrogenated oils ("PHOs") for the US market.

The Creative Studio's concept of "let's create together" is fundamental to its success in co-creating and co-developing innovations with its customers, enabling various PHO-free solutions to be implemented.

Management's Discussion and Analysis

Group Business Review – Resource-Based Manufacturing



IOI Loders Croklaan Europe's Energy Efficient Membrane Based Acetone Recovery (EEMBAR) project sustainably recovers acetones from edible oils using membrane filtration to reduce carbon emissions by up to 650 tonnes a year.

OPERATIONS REVIEW

The resource-based manufacturing segment reported a profit of RM318.5 million for FY2017 which is 47% lower than the reported profit of RM606.4 million in FY2016. The lower profit is due mainly to fair value loss on derivative financial instruments of RM70.3 million (FY2016 – gain of RM120.9 million).

Excluding the fair value loss/gain on derivative financial instruments, the underlying profit for resource-based manufacturing segment of RM388.8 million for FY2017 is 20% lower than the underlying profit of RM485.5 million for FY2016. This is mainly due to lower margins derived from the refining sub-segment.

The details of the segmental contribution are as follows:

The primary refining sub-segment's volume declined in line with the effect of El Nino on palm oil production in Malaysia. Our Malaysian refineries have been operating above sectorial industry utilisation rates. The effect of Indonesia's export duty change (from July 2015 onwards) on refined products continue to affect the competitiveness of Malaysia's refined palm products in the global marketplace. The declining Chinese interest this year has been offset by a corresponding increase in sales to the India sub-continent.

The performance of the Rotterdam refinery was impacted by the temporary RSPO suspension and subsequent sustainability campaign against the Group, which led to various customers withdrawing their business. Furthermore, there was a significant negative impact on the reported earnings for the financial year due to fair value losses on derivative financial instruments and unrealised losses on foreign exchange translation arising from the strengthening of EURO against the US Dollar at the end of the year.

The oleochemical sub-segment started off the financial year on a fairly subdued note, due mainly to the rising streak of raw material prices. Margins were squeezed as we were unable to fully pass on the substantial rising costs to customers. Customers were buying mostly on hand-to-mouth in anticipation of a dip in raw material prices and on cautious spending manner. In the third quarter of the financial year, the surge of raw material prices came to a halt and margins improved on the support of lower raw material prices. The reduced supply of glycerine arising from lower production from the biodiesel industries helped to some extent in sustaining the overall oleochemical margin.

In response to the demanding business environment, we continue to respond promptly to the changing market conditions to ensure marketability of the products at a healthy margin on a full portfolio basis as we expand our customer base, increase productivity and reduce costs through investment of capital expenditure in energy efficiency projects and continuous improvement activities. On the whole, the performance of the oleochemical sub-segment was satisfactory.

The specialty oils and fats sub-segment reported a lower profit in FY2017. This was fully attributable to the business that was lost due to the temporary suspension by the RSPO, and the subsequent campaigning by several non-governmental organisations ("NGOs") pressuring our customers not to resume business with the Group until all elements of their campaign had been sufficiently addressed. The effect of this was more prominent in our Europe and North America regions. We have however been able to reduce the impact by finding alternative business, and over the course of the year, as the sustainability issues were addressed, we have successfully won back most of the lost customers.

Looking at the key segments that we are operating in, we have seen growth in our bakery segment, especially in the US where we have been successfully capitalising on the trans-fat free trend. The infant nutrition business showed some growth, despite a big dip in Europe from

A newly commissioned belt flaker was designed by IOI Loders Croklaan Americas to cater to the increasing demand by customers for different sizes of flakes to produce baked goods such as pizza doughs and croissants.

IOI Loders Croklaan Europe welcomed 10 new tanks as part of its storage expansion at Wormerveer, the Netherlands.

The specialty oils and fats plant in Xiamen, the People's Republic of China, is scheduled to complete by end-2017.

the suspension effect, as this was more than compensated by significant growth in Asia. The confectionery segment overall was down compared to last year, due to the suspended business as well as price pressure in some of our key markets.

OUTLOOK AND PROSPECTS

As production normalises to trend levels after the effects of El Nino, the effect of the external environment will have a greater effect on the palm oil markets. New crop oilseed production in both North and South America will continue to set the direction for medium term palm values. In addition, biodiesel mandates and import/export duty structures continue to affect demand patterns in both origination and destination. Coming from a low destination stock base, we will be expecting increasing demand from major importing countries like India and China to replenish their stock this year.

As for the oleochemical sub-segment, we expect the demand to be robust in anticipation of the global growth and relatively stable feedstock prices. Nevertheless, the operating conditions are likely to remain challenging as competition continues to heighten with new capacities in the market. The utilities' rate hike is expected to persist in the foreseeable future and affect our operating costs. Therefore, we are investing continuously in capital expenditure to improve efficiencies and cost savings. Besides that, we have also launched a programme called Operational Excellence which will be implemented progressively at all phases of our operations to spur employees to strive for excellence. On the specialty business, our German subsidiary has launched four new products in personal care category and is developing a new excipient for pharmaceutical category. These new products will enhance our future sales and profitability. In conclusion, we believe our persistent effort to achieve operational excellence, cost efficiency, improved productivity and growth of our oleochemical specialty business will enable us to sustain our profitability.

As for the specialty oils and fats sub-segment, the fundamentals of our business remain strong. We have been able to win back most of the customers and we are progressing well with the remaining other few – although the impact from this has a delayed effect due to the long forward contracting period most of these customers maintain. Our strong innovation pipeline is showing some good new business projects that are now materialising. Despite the temporary business reduction and the competitive pressure in our largest segment – confectionery – we have been able to maintain margins. The first quarter of FY2018 will see the commissioning of our new factory in Xiamen, the People's Republic of China, as well as our new deodoriser installation in our Canada plant in Toronto. All these factors together give a positive impact on the business and we are back on track and ready to continue the growth path that we have been on over the past years, which was interrupted by the sustainability crisis.

Betapol®, which mimics the unique fat composition and structure of mother's milk, is one of IOI Loders Croklaan's most groundbreaking innovations and has continuously grown globally and specifically in China.

Sustainability and Corporate Responsibility

IOI Group ("IOI") 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.

The 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

IOI is making continuous progress on its sustainability endeavours by reinforcing its good agricultural practices and management measures in all its segments, while increasing its community development initiatives. The Group has developed a systematic approach that addresses the well-being of its people and communities, which also ensures that critical concerns such as climate change and water scarcity are integrated into its long-term business strategy.

This year IOI has published its first standalone annual Sustainability Report based on the Global Reporting Index ("GRI") Disclosures, which provides a detailed view on IOI's sustainability efforts as well as updates on its performance to date.

Sustainability Principles and Values

IOI's approach to sustainability is based on its Sustainability Vision whereby it believes its present needs should be met without compromising the future generations by:

- Committing to protect, rehabilitate and preserve, the environment where the Group lives and operates in
- Ensuring that the economic, social well-being and health of its employees and families as well as the wider communities are protected
- Leading and innovating as well as embedding corporate sustainability as part of doing its business

Enhancing Reach and Engagement

Following IOI's certification suspension from the Roundtable on Sustainable Palm Oil ("RSPO") last April 2016, the Group has refocused its approach to stakeholder engagement and communication, and this has paved the way for a cultural change in the organisation. The suspension was successfully lifted after only four months in August 2016 following the creation of a Group Sustainability Steering Committee that reports to IOI's Board of Directors as part of its governance. A number of practical measures were also taken to ensure further progress on its sustainability implementation plans and initiatives.

The Group Sustainability Steering Committee is chaired by IOI Chief Executive Officer. In addition, IOI has appointed a Group Head of Sustainability and has built up its sustainability teams across the Group to strengthen internal capabilities. A Sustainability Advisory Panel comprising various stakeholders such as social and environmental non-governmental organisations, customers and industry experts has also been established.

IOI regularly hosts visitors, both domestically and internationally, where they are given guided tours to learn more about the Group's estates and palm oil processes.

IOI's Sustainable Palm Oil Policy and Sustainability Implementation Plan

In line with its greater commitment towards sustainability, IOI has launched its revised Sustainable Palm Oil Policy ("SPOP") and Sustainability Implementation Plan ("SIP") in August 2016 to reaffirm its commitments to no deforestation, no planting on peat, zero burning and no exploitation policies. Committed to the production and sourcing of sustainable palm oil, the Group aims to be in the forefront of implementing and managing responsible and sustainable global palm oil supply chains.

Training has been rolled out to all of IOI's estates where workers were taught the proper methods of handling fire prevention and fire fighting.

The SPOP is based on the following principles:

- Comply with all applicable legislations and codes of practice
- Implement leading sustainability standards laid out in the SPOP for environmental management, human rights and workplace conditions, community development and social impact
- Develop traceable supply chains where all suppliers are compliant with IOI's commitments
- Strive for the highest levels of transparency and stakeholder engagement

Along with the SPOP, the SIP is developed to serve as a detailed working document covering specific activities, timelines and key milestones. It is regularly updated and the ongoing progress is reported quarterly on the Group's website.

Some Key Commitments in SPOP

- RSPO Next in IOI's plantations in Malaysia
- Zero burning policy
- Eliminate all forms of illegal, forced, bonded, compulsory or child labour in the Group's operations or supply chains
- Protection of High Conservation Value ("HCV") and High Carbon Stock ("HCS") forests in existing plantations
- No deforestation
- No development on peatland for new plantation
- No retention of passports
- No recruitment fee policy

Sustainability and Corporate Responsibility

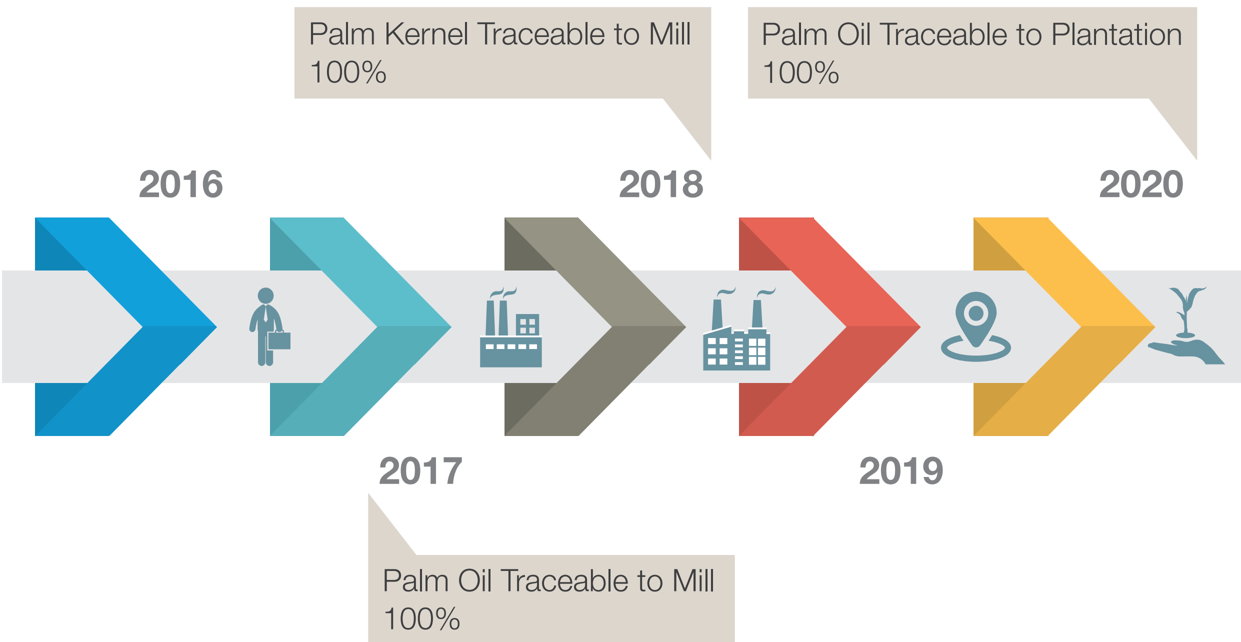
Responsible Sourcing and Traceability

IOI sources its palm oil products through direct supply, procuring directly from its own mills and third-party mills. IOI also sources indirectly via trading partners. As such, IOI is committed to building Traceable Supply Chains where phased supply chain traceability targets are monitored, tracked and reported in the SIP on a quarterly basis. To date, IOI has achieved 100% traceability from mill level, including sources coming from indirect supply.

The Group's commitment towards Responsible Sourcing is articulated in the SPOP and is referred to as the Third-Party Supplier ("TPS") Programme which involves Mill Verification exercise as shown in the diagram below:

Through constructive customer and stakeholders' engagement programmes, IOI has made continuous progress in its sustainability commitments.

IOI practises zero burning technique in its replanting where old palm trees are felled, chipped, staked in windrow and left to decomposed in-situ.



Traceable Supply Chains

Key Sustainability Highlights (2016/2017)

ENSURING COMMITMENTS

- Launch of IOI's revised SPOP and SIP on August 2016
- On-ground verification in Kalimantan, Indonesia, conducted by ProForest
- Completion of the independent labour rights verification assessment work by international consultant BSR

STRENGTHENING THE SPOP

- Further revision was made to the SPOP in February 2017 in order to enhance the Group's commitment towards TPS
- In June 2017, the latest update reflects IOI's commitment towards fair human rights and a safe workplace
- The Group is also committed to apply the newly revised HCS Approach methodology and its associated social requirements in its operations

TRANSPARENCY AND STAKEHOLDER ENGAGEMENT

- Ongoing active engagement with local and international non-governmental organisations on further understanding issues such as material environment, social and labour
- Formation of the Sustainability Advisory Panel
- Launch of the Palm Oil Dashboard on 22 December 2016
- Establishment of a Grievance Procedure to resolve any grievances raised by stakeholders

ENHANCING CONSERVATION AND BIODIVERSITY

- Various initiatives such as training communities in fire-fighting taken to empower communities
- Tangible progress made in the development of Ketapang Landscape Level Approach
- Various initiatives such as wildlife protection (collaboration with Indonesia's Natural Resource Conservation Agency to save *orangutan*) has been undertaken
- Commitment to the HCS Approach and becoming a member of HCS Approach Steering Group
- Commitment to implement global best-practice peatland management

REDUCING GREENHOUSE GAS EMISSIONS

- Development of methane capture programme
- Mitigation of biogas emission from palm oil mill effluent
- Two biogas plants commissioned to capture methane and mitigate emissions, contributing to GHG reduction of 120,000 MT of CO_2 per year

2 Biogas plants

144,727 hectares Sustainability certified estates

34% PO and 17% PKO Certified volumes sourced

99% PO & 97% PKO Traceability to Mill

26% PO & 22% PKO Traceability to Plantation

21 on-site verifications

PO Palm Oil
PKO Palm Kernel Oil

The Group's detailed sustainability efforts and updates on performance and progress are highlighted in its maiden standalone Sustainability Report 2017.

Sustainability and Corporate Responsibility

CORPORATE RESPONSIBILITY

IOI established its foundation which is named after its founder, Tan Sri Lee Shin Cheng in 1994 with the objectives of contributing towards education, welfare and advancement of the country.

Since its formation, Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC") has impacted countless lives with its passion to help and relieve those in need of financial and medical assistance.

Yayasan TSLSC also undertakes the Group's community outreach programmes centering on education, human capital development and corporate philanthropic initiatives.

To date, Yayasan TSLSC has contributed about RM43 million to various schools, hospitals, welfare homes and charitable bodies, and has given out scholarships, grants and awards to more than 2,500 students.

Scholarship Awards

Yayasan TSLSC places high importance on investing in human capital development. Scholarships and career opportunities have been presented to academically outstanding students and also to those who are pursuing their full-time undergraduate studies relating to the Group's core businesses. To date, Yayasan TSLSC has awarded more than 250 students with more than RM6.3 million worth of scholarships.

Student Adoption Programme

The Student Adoption Programme ("SAP") was launched in 2008 by then Deputy Minister of Education, YB Datuk Seri Ir. Dr. Wee Ka Siong to provide underprivileged children with equal access to good basic education as a platform to a brighter future. The adopted students will receive financial assistance and school bags from Yayasan TSLSC until he or she completes his or her primary and/or secondary education. Since its inception, the SAP has benefited more than 1,000 students from over 200 schools in Peninsular Malaysia and Sabah. To date, the programme has funded more than RM3.8 million in the form of sponsorship.

Under Yayasan TSLSC's Student Adoption Programme, new school bags and stationeries are donated yearly to motivate school children.

School Adoption Programme

The School Adoption Programme was launched in 2007 to create opportunities for schools in the rural area to engage in conducive learning environment for their underprivileged students. Financial assistance has been given to these schools to upgrade their facilities such as building new classrooms, new halls, libraries, perimeter fences, and IT and sports facilities. To date, six primary and secondary schools in or near the Group's oil palm estates in Sabah have benefited from this programme.

Young Achievers' Awards

The Young Achievers' Awards ("YAA") was introduced by Yayasan TSLSC in 1999 to motivate young students in striving for excellence in their education. Cash awards, plaques and certificates of achievement are handed out annually as a reward to students, in primary to upper secondary levels, having excelled academically, possessing high leadership qualities and are active in their extra-curricular activities. More than RM560,000 worth of cash prizes have been given to 1,486 young achievers since its inception.

Partnership with HUMANA

IOI has partnered with Borneo Child Aid Society, Sabah ("HUMANA") to provide basic education and financial aid to plantation workers' children who are unable to enrol into national schools in Malaysia.

IOI's contribution has amounted to over RM1.5 million and to date, the Group has built 22 HUMANA learning centres in Sabah which has benefited about 2,918 children annually. Aside from bearing the operating cost of these centres and providing accommodation to its teachers, IOI also sponsored computers, projectors, sound systems, school bags, socks and stationeries to these 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 changes in the community at large. MCII was established to improve education outcomes in Malaysia as well as encourage cross-sector collaborations, community engagements and technical upskilling for

HUMANA Learning Centres at the plantations provide basic education to plantation workers' children who are unable to enrol into national schools in Malaysia.

Malaysian youths, which will contribute towards successful employment after school. School retention and youth unemployment in Klang have been identified as the two main focus areas of MCII.

The two schools – SMK Pandamaran Jaya and SMK Tengku Idris Shah – both located in Klang, had been identified as the pilot sites for the project. The pilot programme proved to be a success with the two secondary schools, as the collective network has now included 14 schools from the surrounding areas. IOI looks forward to playing a meaningful role in social transformation in MCII as it moves to make collective impact where it matters.

IOI-Puchong STEM Programme

IOI is collaborating with Chumbaka Sdn Bhd (Chumbaka) and Agensi Inovasi Malaysia (AIM) to sponsor the IOI-Puchong STEM Programme, an after-school programme focusing on Science, Technology, Engineering and Mathematics ("STEM"). The nine-month programme which was launched on 7 February 2017 at SJKC Shin Cheng (Harcroft), Puchong, is a community project aimed at providing STEM exposure to 210 students from 10 schools in Puchong. Every week, a two-hour workshop is conducted by Chumbaka to promote students' interest towards STEM fields while providing opportunities to spur students' passion to innovate. To date, IOI has provided RM112,875 to its STEM programme.

Bargain Basement

Bargain Basement is an innovative social enterprise, initiated and managed by Yayasan TSLSC. With the motto "Give to Inspire Others to Give", the charity store started its operation on 1 June 2016 with an objective to encourage the public to donate pre-loved or unused items which will then be sold at an affordable price. The net proceeds from the sale will then be channelled back to the community in need.

To date, Bargain Basement has contributed a total of RM58,000 to six beneficiaries, namely Rumah Shalom (Pertubuhan Kebajikan Kristian Aman Selangor), Yayasan Seribu Harapan Malaysia, Pertubuhan Anak Yatim Darul Aminan, Cornerstone Home, Pusat Jagaan Kanak-Kanak Istimewa Lagenda and Yayasan Chow Kit; and also supported two fundraising events organised by Living Hope and SJKC Kheng Chee.

Community Outreach

Besides education and social investment programmes, the Group also encourages and provides ample opportunities to employees to volunteer their time and active participation in various CR activities organised by Yayasan TSLSC. Some of the memorable activities included 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.

IOI-Puchong STEM Programme is the latest community development programme undertaken by Yayasan TSLSC jointly with other organisations.

Corporate Responsibility

Social Contribution

9 AUGUST 2016

A total of 72 employees participated in a blood donation drive organised by IOI Oleochemical Industries Berhad ("IOI Oleo") in collaboration with Hospital Seberang Jaya, Penang.

19 AUGUST 2016

IOI Group ("IOI") collaborated with Klinik Kesihatan Ibu dan Anak Beluran to organise a women awareness campaign at Luangmanis Humana, Sabah, to empower the women workforce in estates and to enhance their well-being.

20 AUGUST 2016

More than 50 volunteers participated in IOI's Tree Planting Day at Terusan Baru 3 Estate, Sabah, to rehabilitate and conserve its degraded forest buffer zone. Various species of seedlings, supplied by the Komuniti Anak Pokok Kinabatangan such as *Binuang*, *Gaharu*, *Pulai* and *Ketapang* were planted. The success of this event led to a second and third Tree Planting Day in Meliau and Nangoh Estates as well as in Mayvin 2 Estate.

11 SEPTEMBER 2016

Four IOI Loders Croklaan Europe ("IOILC Europe") employees completed a gruelling 2,000 metre course in the Amsterdam City Swim and raised €2,249 to help fight the Amyotrophic Lateral Sclerosis disease.

1 OCTOBER 2016

Bargain Basement, the community initiative by Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC"), participated in SJKC Kheng Chee Puchong's One ♥ One Goal, for a Better Kheng Chee charity carnival, in support of the newly-established school's initiative to raise funds for its basic facilities.

15 OCTOBER 2016

About 100 primary school children and their teachers participated in making mud balls, which were used to purify polluted monsoon drains. This was a collaboration between IOI Oleo and the Seberang Perai Municipal Council.

22 OCTOBER 2016

Yayasan TSLSC awarded RM424,000 worth of scholarships to 12 outstanding students to help them to pursue their higher education goals in selected disciplines at local universities.

1 NOVEMBER 2016

During the height of the Zika scare, Gomali Palm Oill Mill teamed up with the Malaysian Steam and Internal Combustion Engine Engineers Association and held a Defend Against Zika awareness campaign. The *gotong-royong* activity was carried out simultaneously at 188 industrial locations nationwide and made a mark in the Malaysia Book of Records for its grand participation of 16,001 people.

6 NOVEMBER 2016

Bargain Basement joined 74 stalls in a charity bazaar organised by Living Hope at Jaya One shopping mall in Petaling Jaya to help raise funds for underprivileged children aged 12 years and below. A total of RM600 was raised by day-end through the sale of books.

9 NOVEMBER 2016

IOI Pan-Century Oleochemicals Sdn Bhd ("IOI Pan-Cen Oleo") partnered with Pejabat Pendidikan Daerah Pasir Gudang to improve children's education by distributing 80 used computers to 15 primary schools in the rural area of Pasir Gudang, Johor.

6 DECEMBER 2016

Yayasan TSLSC and IOI City Mall ("ICM") jointly held a Christmas outing at District21, ICM, hosting 35 children from Persatuan Kebajikan Kanak-Kanak Cornerstone in Selangor and Pusat Jagaan Kanak-Kanak Istimewa Lagenda in Klang.

Bargain Basement wrapped up the event by contributing 100% of its net proceeds (RM50,000) to five beneficiaries.

13 DECEMBER 2016

IOI Loders Croklaan Americas ("IOILC Americas") volunteered for the second year in a row to crochet red hats for babies born in February in support of the Little Hats, Big Hearts programme. The initiative was led by the American Heart Association of the United States to help raise awareness about heart disease and congenital heart defect.

Corporate Responsibility
Social Contribution

16 JANUARY 2017

Throughout 2016, 50 employees from IOILC Europe participated in different sports events to collect money for Move4MS (an event to raise awareness for Multiple Sclerosis). Together, they covered 736.3 km and collected €2.238,88.

18 JANUARY 2017

IOI supported Dual Blessing Bhd in their Sell Toothbrush, Grant a Wish charity sales and raised RM5,354 for the disabled community in the Klang Valley. The fund is used to cover their transportation and living expenses.

7 FEBRUARY 2017

Yayasan TSLSC collaborated with Chumbaka Sdn Bhd and Agensi Inovasi Malaysia to sponsor the IOI-Puchong STEM Programme under the National Blue Ocean Strategy initiative. This community project gives children from 10 Puchong schools exposure to four specific disciplines, namely, Science, Technology, Engineering and Mathematics.

7 FEBRUARY 2017

IOILC Europe contributed 1,200 kg of waste fat to a collection drive for a seven-year-old wheelchair-bound boy to raise €20,000 for a guide dog. Subsequently, a recycling firm issued money for every full bin of fat collected, that was then converted into biofuel.

22 FEBRUARY 2017

Yayasan TSLSC awarded RM230,600 of financial aid to 341 needy students from 23 primary and seven secondary schools in Peninsular Malaysia and Sabah under its Student Adoption Programme 2017.

25 FEBRUARY 2017

IOI Oleo collaborated with the Seberang Perai Municipal Council and the State Forestry Department, and successfully executed the Reliving Bukit Juru project in order to preserve the environment and encourage a healthy lifestyle. Some 80 volunteers restored the hiking trail as well as repaired and repainted a resting hut. The project rounded up with a group of hikers climbing up 646 steps to the peak of Bukit Juru.

25 MARCH 2017

IOI made a united stand with members, subsidiaries and associate companies against climate change. IOI initiated various green activities with positive environmental impacts in support of Earth Hour.

31 MARCH 2017

A total of 200 IOI Pan-Cen Oleo employees participated in a *Jom Gotong-Royong* community service with the Pasir Gudang Municipal Council. The green effort resulted in a collection of 100 bags of garbage and a cleaner environment.

21 APRIL 2017

IOI Oleo donated 75 reams of A4 paper in April and the following month to Sekolah Kebangsaan Khir Johari, Sekolah Kebangsaan Tamil Prai and Sekolah Kebangsaan St. Mark, to benefit students from lower income families.

27 APRIL 2017

IOILC Americas participated in the Take Our Daughters and Sons to Work ("TODASTW") Day, organised by the TODASTW Foundation, where more than 30 employees brought their children, aged eight to 18 years old, to work for a day of unique educational experience.

5 MAY 2017

Bargain Basement contributed RM8,000 of its net proceeds to Yayasan Chow Kit in support of its mission to improve the lives of at-risk children in Malaysia.

6 MAY 2017

IOI Pan-Cen Oleo successfully held its eighth blood donation drive in collaboration with Hospital Sultan Ismail, Hospital Sultanah Aminah and Tesco Seri Alam where 184 pints of blood was collected.

19 MAY 2017

IOI Oleo conducted a Go Green project at Sekolah Kebangsaan St. Mark to educate the students on the correct techniques to plant various vegetable seedlings. A total of 42 biodegradable pots and planter boxes were donated to the school as part of the initiative.

27 MAY 2017

A total of 68 students received the Young Achievers' Awards from Yayasan TSLSC in the form of cash prizes worth RM33,400, plaques and certificates for acing their UPSR, PT3, Cambridge Secondary Checkpoint, SPM, STPM, A-levels and International Baccalaureate examinations.

17 JUNE 2017

IOI Oleo hosted a half-day course on answering techniques for UPSR for 45 students at Sekolah Kebangsaan Tamil Prai. Gift vouchers and certificates were also awarded to ex-students for their impressive UPSR results.

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 CHENG LEANG
Executive Director

LEE YEOW SENG
Non-Independent Non-Executive Director

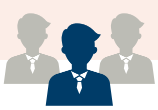
TAN SRI PETER CHIN FAH KUI
PSM, SSAP, PGBK, PBS, ABS
Senior Independent Non-Executive Director

TAN SRI DR RAHAMAT BIVI BINTI YUSOFF
PSM, SMW
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

GOVERNANCE, NOMINATING AND REMUNERATION COMMITTEE

Tan Sri Peter Chin Fah Kui
PSM, SSAP, PGBK, PBS, ABS
Chairman

Tan Sri Dr Rahamat Bivi Binti Yusoff
PSM, SMW

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

COMPANY SECRETARY

Vincent Tan Choong Khiang
(MAICSA 7018448)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Two IOI Square
IOI Resort
62502 Putrajaya
Tel +60 3 8947 8888
Fax +60 3 8947 8909

AUDITORS

BDO
Chartered Accountants
Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel +60 3 2616 2888
Fax +60 3 2616 2970

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel +60 3 2783 9299
Fax +60 3 2783 9222

THE ADMINISTRATION AND POLLING AGENT

Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6, KPMG Tower
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

Board of Directors

TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

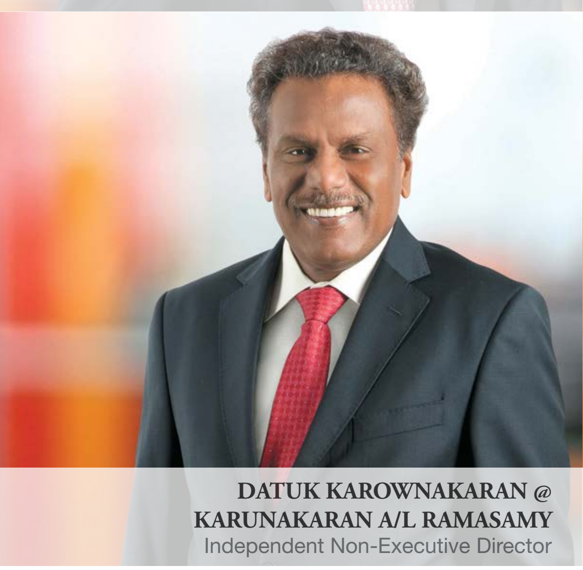
DATO' LEE YEOW CHOR
Chief Executive Officer

LEE CHENG LEANG
Executive Director

LEE YEOW SENG
Non-Independent Non-Executive Director

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

TAN SRI DR RAHAMAT BIVI BINTI YUSOFF
Independent Non-Executive Director



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

CHEAH TEK KUANG
Independent Non-Executive Director

LIM TUANG OOI
Non-Independent Non-Executive Director

Profile of Directors

TAN SRI DATO' LEE SHIN CHENG
Executive Chairman
Malaysian, Age 78, 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 groups 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 seven (7) out of the eight (8) Board Meetings held during the financial year ended 30 June 2017.

DATO' LEE YEOW CHOR
Chief Executive Officer
Malaysian, Age 51, Male

DATO' LEE YEOW CHOR was first appointed to the Board on 25 April 1996 and was appointed as Chief Executive Officer of the Company 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 qualified as 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 approximately 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 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 the brother of Lee Yeow Seng.

He attended all the eight (8) Board Meetings held during the financial year ended 30 June 2017.

Profile of Directors

LEE CHENG LEANG
Executive Director
Malaysian, Age 69, Male

LEE YEOW SENG
Non-Independent
Non-Executive Director
Malaysian, Age 39, 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. He continues to make a strong contribution to the Board.

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

He attended seven (7) out of the eight (8) Board Meetings held during the financial year ended 30 June 2017.

LEE YEOW SENG was first appointed to the Board on 3 June 2008. Since joining IOI Group, he has been actively involved in corporate affairs and general management within IOI Group prior to the demerger and listing of IOI Properties Group Berhad ("IOIPG").

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 the Chief Executive Officer of IOIPG.

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

He attended seven (7) out of the eight (8) Board Meetings held during the financial year ended 30 June 2017.

TAN SRI DR RAHAMAT BIVI BINTI YUSOFF
Independent Non-Executive Director
Malaysian, Age 60, Female

TAN SRI PETER CHIN FAH KUI
Senior Independent Non-Executive Director
Malaysian, Age 72, 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 Governance, 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 seven (7) out of the eight (8) Board Meetings held during the financial year ended 30 June 2017.

TAN SRI DR RAHAMAT BIVI BINTI YUSOFF was appointed to the Board on 15 August 2017.

She holds a Bachelor of Social Science (Economics) (Honours) degree from Universiti Sains Malaysia and a Master of Economic from University of Western Michigan, USA as well as a Diploma in Public Administration from the Institute of Public Administration (INTAN), Malaysia. She was also conferred a Ph.D. in Public Policy from Australian National University.

She had served in the public service for almost thirty-six (36) years, with experience and knowledge in the field of economy, finance and macro development.

She began her career in the Ministry of Finance ("MOF") (Tax, contract and supply divisions) as Assistant Secretary in 1981 to 1988 and also as Project Officer in Institute of Public Administration from 1988 to 1991. She then served as Assistant Director, Macroeconomic and Evaluation Section of Economic Planning Unit ("EPU") in the Prime Minister's Department from 1991 to 1993. She was later promoted to the position of Principal Assistant Director, Macroeconomics and Evaluation in 1994, Principal Assistant Director, Section Industry and Services in 2001. In June 2002, she was seconded to the Department of Industrial Development, The Energy Commission as Director. She later returned to the EPU as Deputy Director, Macroeconomic Section in August 2004. In October 2006, she was appointed as the Secretary of Economic Division in the MOF. Subsequently in October 2008, she was promoted to Director, Budget Division in the MOF, and Deputy Secretary General (Systems & Controls), the MOF in 2011. She was the Director General of EPU from 2011 to June 2017.

Tan Sri Dr Rahamat is a member of the Governance, Nominating and Remuneration Committee of the Company.

She also sits on the Board of Malaysia-Thailand Joint Authority, Perbadanan Insurans Deposit Malaysia, Malaysia Nuclear Power Corporation and Malaysia Rail Link Sdn Bhd.

Profile of Directors

DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY
Independent Non-Executive Director
Malaysian, Age 67, Male

CHEAH TEK KUANG
Independent
Non-Executive Director
Malaysian, Age 70, 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 a 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 Governance, 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 (Cambodia) Plc and Bursa Malaysia Berhad. He is also a Director of several private limited companies.

He attended seven (7) out of the eight (8) Board Meetings held during the financial year ended 30 June 2017.

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 Governance, 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 and Eco World International Berhad.

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 seven (7) out of the eight (8) Board Meetings held during the financial year ended 30 June 2017.

LIM TUANG OOI
Non-Independent
Non-Executive Director
Malaysian, Age 55, Male

LIM TUANG OOI was appointed to the Board on 17 January 2011. He is currently the Senior General Manager of the Employees Provident Funds Malaysia ("EPF") and responsible for overseeing the risk management function including credit, market, operational risk and risk analytics.

He has over thirty-four (34) years of experience in banking, risk management and accounting industry. He started his career with KPMG where he worked in the areas of audit and consultancy. He later joined Citibank for fifteen (15) years where he held key management roles including business banking, credit and market risk management, customer service, quality management, analytics, financial modelling and operations. He was the Chief Financial Officer of Hong Leong Bank Berhad, responsible for financial management, accounting operations, tax management, strategic planning and risk management.

He is a professionally qualified Chartered and Certified Public Accountant. He is a member of the Institute of Chartered Accountants in England and Wales ("ICAEW"), Chartered Institute of Public Finance and Accountancy, UK ("CIPFA"), Malaysian Institute of Certified Public Accountant ("MICPA") and Malaysian Institute of Accountants ("MIA").

He also serves on the Board of a major property development company.

He attended all the eight (8) Board Meetings held during the financial year ended 30 June 2017.

Notes:

1. *Save as disclosed above, none of the Directors have:*
   (a) any family relationship with any directors and/or substantial 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 2017.*

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
LEE TUAN MENG

Group Legal Counsel
FARAH SUHANAH AHMAD SARJI

Group Head of Sustainability
DR SURINA BINTI ISMAIL

Company 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
LIM JIT UEI

REFINERY

General Manager
SHYAM A/L M. K. LAKSHMANAN

OLEOCHEMICAL

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
HOLGER RIEMENSPERGER

Chief Operating Officer, Asia
MANUEL ANTONIO LABORDE

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

Lee Tuan Meng
Chief Financial Officer

Nationality : **Malaysian**
Age/Gender : **57/Male**
Date of appointment : **15 September 2017**

Skills and Experience

Mr Lee Tuan Meng is a Chartered Accountant and a fellow member of the Malaysian Institute Association of Certified Public Accountants ("MICPA") and a member of the Malaysian Institute of Accountants ("MIA").

He has more than thirty-five (35) years of experience in accounting, tax, treasury, auditing as well as business information systems, operational strategy and project management. He has held various senior positions in multinational companies and acquired broad experience in managing the financial affairs of large companies with billion dollar revenue and net profits.

Prior to joining IOI Group, he was the Senior General Manager (Finance) of UMW Toyota Motor Sdn Bhd, a large Japanese automotive group.

Farah Suhanah Ahmad Sarji
Group Legal Counsel

Nationality : **Malaysian**
Age/Gender : **52/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. She 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 : **57/Female**
Date of appointment : **1 March 2016**

Skills and Experience

Dr Surina binti Ismail obtained her 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, USA. 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 specifically in nanomaterials where she holds several international patents.

Vincent Tan Choong Khiang
Company Secretary

Nationality : **Malaysian**
Age/Gender : **47/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 Secretary of MAICSA. He has twenty (20) years of working experience in secretarial practice. He 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), 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 : **58/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 Malaysian Palm Oil Board ("MPOB"). 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. He joined IOI Group in 2003 as General Manager of Sandakan Refinery and later assumed the position of General Manager of Sandakan Plantations before his current posting to Head Office as Senior General Manager, Plantation Division.

Ragupathy a/l Selvaraj
General Manager, Lahad Datu

Nationality : **Malaysian**
Age/Gender : **59/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 : **57/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 : **43/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").

He 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 : **54/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

OLEOCHEMICAL

Tan Kean Hua
Executive Director

Nationality : **Malaysian**
Age/Gender : **53/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. He is a Fellow of Institution of Chemical Engineers, U.K. (FIChemE) and Chartered Engineer of The Engineering Council, U.K. (Ceng). Prior to joining IOI Group in 2004, he held a senior marketing position in an oleochemical multinational company. He was the Chairman of Malaysian Oleochemical Manufacturers Group ("MOMG") from March 2010 till March 2017. He holds the current chair of the Asean Oleochemical Manufacturers Group ("AOMG"). He was the Board Member of MPOB for three (3) terms – from May 2010 until May 2017.

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

Nationality : **Malaysian**
Age/Gender : **59/Male**
Date of appointment : **1 October 2013**

Skills and Experience

Mr Gurdev Singh holds an 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. He is experienced in financial management, treasury management, cost and budgetary accounting, auditing and customised computerisation in Pan-Century Edible Oils and marketing in oleochemical fatty acids and soap noodles since 1999.

Lai Choon Wah
Chief Operating Officer, Penang

Nationality : **Malaysian**
Age/Gender : **54/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 : **48/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 taking 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 : **58/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, business development 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 : **58/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.

Notes:

Save as disclosed above, none of the above senior management members 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.

Holger Riemensperger

Chief Operating Officer, Europe

Nationality : **Dutch**
Age/Gender : **47/Male**
Date of appointment : **1 April 2017**

Skills and Experience

Mr Holger Riemensperger holds a Degree in Process Engineering from the Mannheim University of Applied Science. He completed a series of executive education trainings at Ashridge School of Management and INSEAD. He is also a holder of a patent in specialty oleochemical as inventor.

He has extensive and diverse experience, having progressed from production and process development into sales and marketing before rapidly taking the lead as head of operations.

He joined IOI Group after a successful and challenging career, first with Akzo Nobel Chemicals Corp, then with Cognis Corp and thereafter BASF acquired Cognis Corp at 2010 as Director Global Product Line Food Ingredients. In 2012, Riemensperger joined Frutarom Industries Ltd as the General Manager of its Global Health Business unit.

During his career, he specialised mainly in the areas of global sales and marketing, manufacturing operations, corporate strategy development and implementation, new business development, including evaluation of potential strategic acquisitions.

Manuel Antonio Laborde

Chief Operating Officer, Asia

Nationality : **American**
Age/Gender : **51/Male**
Date of appointment : **1 September 2017**

Skills and Experience

Mr Manuel Antonio Laborde holds an Industrial Engineering Degree from Universidad de Los Andes, Colombia and a Masters of Business Administration Degree from the Kellogg School of Management at Northwestern University, Evanston, Illinois, USA.

He has extensive experience in General Management, Strategy, Business Development, Sales, Marketing, Mergers & Acquisitions and Operations.

Until his recent appointment as the Chief Operating Officer, Loders Croklaan (IOI Group) (Asia), he was the Group Chief Business Development Officer in charge of the global business segments on Confectionery Ingredients, Bakery Ingredients and Human Nutrition. Prior to re-joining IOI Group in January 2015 as Vice President, Strategy & Development, he worked as a Consultant with Booz & Co.; CEO and General Manager at two (2) South American industrial groups; Vice President of Sales at Loders Croklaan USA and a number of management positions at Monsanto Company and Bayer A.G. in North and South America.

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

Oleochemical

IOI LODERS CROKLAAN GROUP

Specialty Oils and Fats

Palm Oil Refinery and Fractionation

Global Presence

Plantation & Mill

Resource-based Manufacturing

Sales/Procurement/Regional Office

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

4 Sao Paulo, Brazil

5 Bobo Dioulasso, Burkina Faso
6 Tema, Ghana
7 Cairo, Egypt

8 Rotterdam, The Netherlands
9 Wormerveer, The Netherlands
10 Witten, Germany
11 Hamburg, Germany
12 Wittenberge, Germany
13 Milan, Italy
14 Warsaw, Poland
15 Moscow, Russia

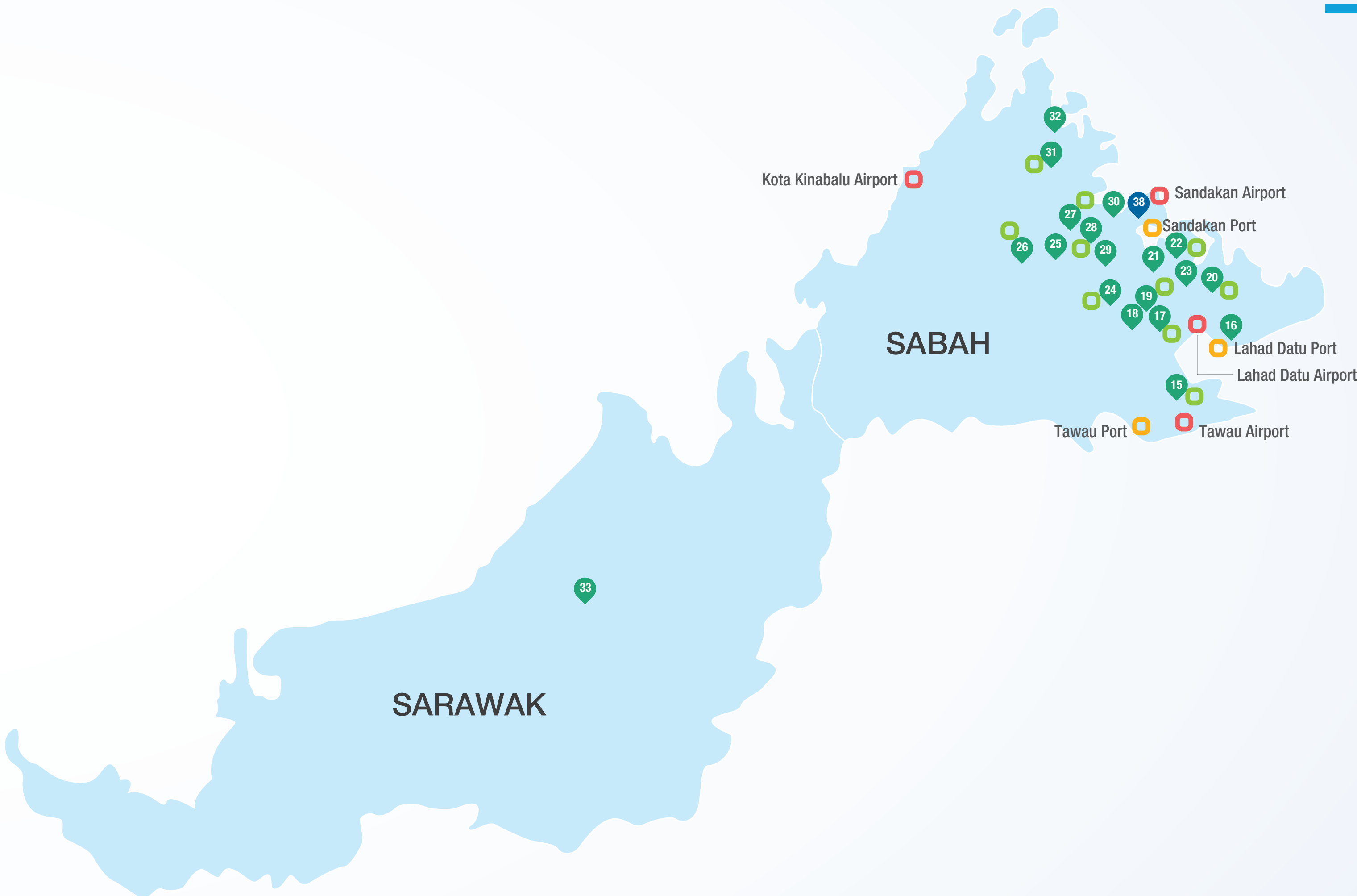
16 Malaysia
17 Xiamen, The People's Republic of China
18 Shanghai, The People's Republic of China
19 Kalimantan, Indonesia
20 Manila, The Philippines

Africa

Europe

Asia

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 Oleochemical & 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

1 JULY 2016

IOI Loders Croklaan Canada ("IOILC Canada") won the Proof not Promises Award as a result of a collaboration with GE Waters to improve treatment performance and reliability, while reducing the overall operating costs at the wastewater treatment plant.

1 SEPTEMBER 2016

IOI Loders Croklaan ("IOILC") expanded its footprint into the Philippines with the opening of a new office in Makati, Manila to provide local innovation and commercial support to customers.

18 JULY 2016


Laboratory Proficiency Program Committee

This is to certify that
Putiha Adam Moskam
IOI Loders Croklaan Oils Sdn Bhd
attained Honorable Mention in the analytical work for the determination of
Gas Chromatography
with a proficiency index of 0.16 on 8 samples of Gas Chromatography.

Chairman, Laboratory Proficiency Program Committee
2015 - 2016

AOCS
Your Global Fats and Oils Connection

IOI Loders Croklaan Asia's ("IOILC Asia") Quality Control Laboratory ("QC Lab") attained an Honorable Mention in Gas Chromatography in the American Oil Chemists Society's ("AOCS") Laboratory Proficiency Program. This recognition by AOCS elevates the QC Lab to be among the globally recognised and accredited laboratories for oils and fats and its derivatives.

20 SEPTEMBER 2016

IOI Loders Croklaan Europe ("IOILC Europe") expanded its Rotterdam refinery with a new gangway for ocean tankers. With the new gangway in place, a wide array of ships, from small to massive, can unload palm oil easily at Europe's largest palm oil refinery.

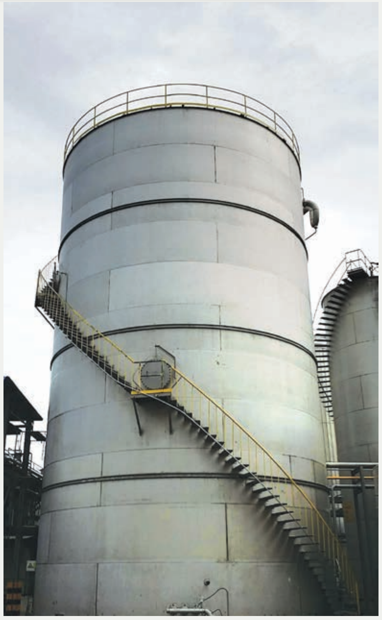
8 AUGUST 2016

IOI Group ("IOI") launched its revised Sustainable Palm Oil Policy and Sustainability Implementation Plan which re-affirmed IOI's commitment 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.

22 SEPTEMBER 2016

IOILC Asia commissioned a new drum filling station as part of its facility expansion project. The station is designed with stringent standards of hygiene control which includes a clean air filling room with Clean Room ISO Class 7 standards.

30 SEPTEMBER 2016



An Anaerobic Hybrid Reactor was commissioned as part of IOI Pan-Century Oleochemicals Sdn Bhd's ("IOI Pan-Cen Oleo") green initiative to reduce environmental impact while addressing energy security at its wastewater treatment plant. The new system can treat up to 2,000 kg of chemical oxygen demand/day and generates 500 nm³ biogas/day to operate biogas fired boilers. It also supports carbon reduction by 150,000 kg of carbon dioxide/year.

1 NOVEMBER 2016

IOILC Europe was the winner of the Healthy Workplaces Good Practice Awards 2016-2017, held in the Netherlands by the European Agency for Safety and Health at Work, for its commitment to promote sustainable employability and a healthy workplace. The award included a nomination for the European Awards in April 2017.

11 NOVEMBER 2016

IOILC Asia completed a new export line to Felda-Johore Bulkers ("FJB"), one of the world's largest palm oil terminals in Malaysia, enabling improved productivity as well as easier and more convenient export of oil directly to FJB instead of multiple transfers in the past.

12 NOVEMBER 2016

IOILC Europe expanded its storage facility in Wormerveer with 10 new tanks (each weighing 70,000 kg and measuring at 38 metres tall) that will hold the capacity of 250 metric tonnes of palm oil individually.

16 NOVEMBER 2016

The Plantation Industries and Commodities Minister visited IOI Esterchem (M) Sdn Bhd in Prai, Penang for a progress update on the construction of its 20,000 MT per annum capacity ester plant which was developed in line with the Government's Economic Transformation Programme's (ETP) Palm Oil and Rubber, Entry Point Project 6 (EPP 6) grant under the National Key Economic Area (NKEA).

Corporate Calendar

2 DECEMBER 2016

IOI Oleochemical Industries Berhad's ("IOI Oleo") subsidiaries, IOI Pan-Cen Oleo and IOI Acidchem Sdn Bhd ("IOI Acidchem") bagged a total of 10 awards at the prestigious 13th Chemical Industries Council of Malaysia Responsible Care Awards 2015/2016.

IOI Pan-Cen Oleo won two Platinum Awards for Employee Health and Safety Code, and Community Awareness and Emergency Response Code in recognition of its continuous achievement in winning the Gold Award for both codes of management practices for three consecutive years. It also garnered a Gold Award on Pollution Prevention Code, and two Silver Awards on Distribution Code, and Process Safety Code.

IOI Acidchem won four Silver Awards for Employee Health and Safety Code, Pollution Prevention Code, Distribution Code, and Process Safety Code as well as a Merit Award on Community Awareness and Emergency Response Code.

5 DECEMBER 2016

IOI organised a two-day Supplier Technical Workshop, conducted by Proforest and WWF-Malaysia, on High Conservation Value, peatland, fire and labour, involving 40 participants from 11 companies.

8 DECEMBER 2016

IOI Oleo continued to reinforce its leadership forte in the oleochemical industry when it was accorded the prestigious Malaysian Palm Oil Board Palm Industry Award 2015/2016 for the Best Oleochemical Producer in Malaysia.

19 DECEMBER 2016

IOILC Asia pioneered the first fully-automated GC-MS/MS system in Asia that provides accurate and consistent data in the content analysis of both 3-MCPD and GE in palm oil.

22 DECEMBER 2016

IOI launched an online Palm Oil Dashboard in line with its commitment on transparency and wider engagement with stakeholders.

26 JANUARY 2017

IOILC Europe launched its maiden Future Proof Solutions tour in Milan, Italy, to educate customers on the topic of contaminants (3-MCPD, GE, MOSH, MOAH) and the impact of palm oil on people's health. The tour also covered operations in Hamburg, Germany and Warsaw, Poland in April and June 2017 respectively.

3 FEBRUARY 2017

SIRIM QAS

CERTIFICATE

SIRIM QAS International Sdn. Bhd. 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 Environmental Management Systems complying with

ISO 14001 : 2015

Environmental Management Systems - Requirements

Scope of Certification

MANUFACTURE 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 : 03 February 2017
Validity period : 18 March 2017 – 17 March 2020
Certification No. : ER 0155

Mohd Azanuddin Salleh
Managing Director
SIRIM QAS International Sdn. Bhd.

IOI Pan-Cen Oleo became the first oleochemical company in Malaysia to be certified with the new ISO 14001:2015 standard for better environmental protection and sustainable development.

27 FEBRUARY 2017

IOI Oleo launched its Operational Excellence programme which will be implemented at all phases of operations to spur employees to strive for excellence, commitment and efficiency by focusing on eight core areas and six Operational Disciplines.

6 MARCH 2017

A total of 40 visitors from IOILC, IOI Oleo and several of IOI's international customers were invited to tour both Pukin Estate and Mill to learn more about IOI's sustainable oil palm plantations and the steps in palm oil production.

Corporate Calendar

9 MARCH 2017

IOILC Canada announced the expansion of its production facility in Toronto with the installation of a new deodoriser, capable of providing new capacities and capabilities to effectively meet the growing needs of customers in Canada and the United States.

9 MARCH 2017

IOI Loders Croklaan Americas ("IOILC Americas") initiated an Energy Savings Project to reduce energy waste in the plant by focusing on the steam waste reduction and reverse osmosis. In addition to receiving a rebate cheque of USD128,000, IOILC Americas targets to save USD191,000 in natural gas consumption annually.

15 MARCH 2017

IOI joined the Fire Free Alliance to further strengthen its fire prevention and management efforts in Indonesia.

22 MARCH 2017

IOI invited its suppliers to participate in its Johor Roundtable session, as part of its Supplier Engagement Programme, to share more information on the internal assessment carried out on IOI's suppliers.

23 MARCH 2017

IOILC Europe's active collaboration with 16 companies in creating a Food and Process Tech Campus has earned it the Pro-Motor Award 2017 which recognises quality and innovation between technical educations and participating companies.

26 APRIL 2017

IOILC Europe received a commendation at the Healthy Workplaces Good Practice Awards 2016-2017 in Malta by the European Agency for Safety and Health at Work for its initiative on sustainable employment and health for workers of all ages.

25 MAY 2017

IOI Edible Oils Sdn Bhd was certified with the new ISO 9001:2015 standard for its excellent Quality Management System, and ISO 14001:2015 standard for its outstanding Environmental Management System.

9 JUNE 2017

IOI Oleo's subsidiaries, IOI Acidchem and IOI Derichem Sdn Bhd, were certified with the ISO 50001:2011 by SIRIM QAS International Sdn Bhd for their efficient energy management standards and continual improvement of energy performance.

30 JUNE 2017

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 2017.

Corporate Governance Report

Corporate Governance Overview Statement

We would like to take this opportunity to provide you with some insights into the Board of Directors' (the "Board") view of corporate governance, its key focus areas and future priorities in relation to the corporate governance practices.

This statement sets out the principles and features of IOI Group's corporate governance framework and main governance practices. At IOI Group, we continue to practise 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 spirit, we do not see governance as just a matter for 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.

The cornerstone principles of corporate governance at IOI Group 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.

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 three (3) principles which are set out in the Malaysian Code on Corporate Governance (the "CG Code"):

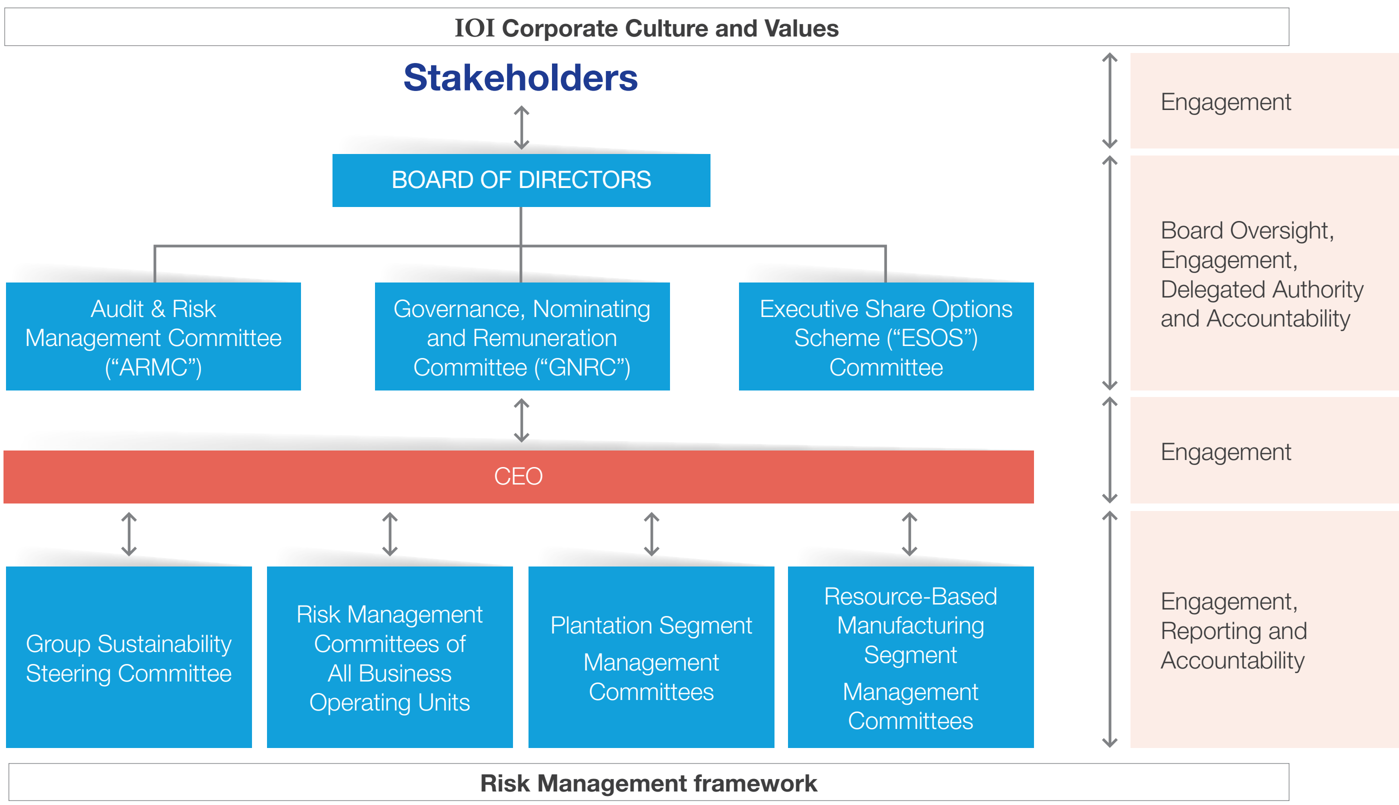
(a) Board leadership and effectiveness;

(b) Effective audit and risk management; and

(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

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 in place the process to ensure the delegation flows through the Board and its committees to the Group CEO and management committees and into the organisation. At the same time, accountability flows back upwards from the Company to stakeholders.

GOVERNANCE FRAMEWORK



COMPLIANCE WITH CG CODE

The Board considers that the Company has complied with the provisions and applied the main principles of the CG Code for the whole of the financial year ended 30 June 2017 ("FY2017") till 15 September 2017 except:

- Practice 3.1 (Code of Conduct and Ethics shall include anti-corruption measures)
- Practice 4.1 (The Board comprises a majority of Independent Directors)
- Practice 4.5 (The Board must have at least 30% women Directors)
- Practice 5.1 (The Board of large company engages independent experts periodically to facilitate the Board evaluation)
- Practice 7.2 (The Board discloses on a named basis the top five (5) senior management's remuneration in bands of RM50,000)
- Practice 11.2 (Large company is encouraged to adopt integrated reporting)

The explanation for departure is further disclosed in the Corporate Governance Report.

BOARD LEADERSHIP

Role of the Board

The Board takes full responsibility for the oversight and overall performance of IOI Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The Board sets the strategic direction, ensuring that the necessary resources are in place for the Company to meet its objectives and deliver sustainable performance.

The Directors of the Board are selected on the criteria of proven skill and ability in their particular field of endeavour and a diversity of outlook and experience which directly benefits the operation of the Board as the custodian of the business. A full biography of each Board member is provided on pages 50 to 55.

Roles and Responsibilities of the Board

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 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.

Our Boards' functions can be summarised in four (4) components, namely, formulating strategy, setting policies, supervising executive management and providing accountability. This arrangement also enables the Board's contribution to the Company's performance through strategy formulation and policy making to be grouped on the right hand side, and its responsibility to ensure conformance to required results and maintenance of accountability to the shareholders and other interested parties, to be grouped on the left hand side.

External	**Accountability** Reporting to shareholders Ensuring statutes' regulatory compliance Reviewing audit reports	**Strategic thinking** Reviewing and initiating strategy analysis Setting corporate direction
Internal	**Supervision** Reviewing key executive performance Reviewing business results Monitoring budgetary control and corrective actions	**Corporate policy** Approving budgets Determining compensation policy for senior executives Creating corporate culture
	Short Term	Long Term

(Source: Adapted from Hilmer and Tricker)

The Board establishes the vision and strategic objectives of IOI Group, directing policies, strategic action plans and stewardship of IOI 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;

Corporate Governance Report

Corporate Governance Overview Statement

(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.

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 will review the Board Charter in 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 the issuance of the CG Code in April 2017, the Board will undertake a review in the FY2018. Any amendments to the Board Charter will be made available on the Company's website.

Schedule of Matters Reserved to the Board

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 Constitution and the law.

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

Chairman	CEO
• Leadership of the Board • Ensures Board effectiveness • Sets Board agenda • Interfaces with shareholders • Ensures effective shareholder engagement	• Overall responsibility for Group performance • Leadership of the Group • Enables planning and execution of objectives and strategies • Stewardship of Group assets
Non-Executive Directors	**Senior Independent Director**
• Oversee Group strategy • Review management proposals • Monitor Group performance • Bring an external perspective and effective challenge to the Board	• Leads review of Chairman's performance • Presides at Board in Chairman's absence • Intermediary for other Directors • Available to meet with major shareholders

As Executive Chairman, Tan Sri Dato' Lee Shin Cheng oversees the day-to-day operations to ensure the smooth and effective running of IOI Group. The Executive Chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Executive Chairman is also responsible for creating an environment for open, robust and effective debate. This includes ensuring, via the Company Secretary, that the Directors receive accurate, timely and clear information.

Dato' Lee Yeow Chor, 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. He is also involved in the management of the social and environmental responsibilities of the Group.

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.

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.

Tan Sri Peter Chin Fah Kui who is the Senior Independent Non-Executive Director, is responsible for providing support to the Chairman and provides an independent point of contact for shareholders. The Senior Independent Non-Executive Director may be contacted at Tel: +(603) 8947 8900 and email: peterchin45@yahoo.com.

The effective operation of the Board is dependent on the inherent checks and balances within the various Board roles. As highly qualified and successful individuals in their respective fields of endeavour, all Non-Executive Directors influence, debate and contribute to decisions relating to the strategy of the Group, its performance and its impact on stakeholders. The Non-Executive Directors are evaluated and judged on the quality and content of their contributions to Board debate and are expected to offer alternative viewpoints and challenge perceptions and decisions as appropriate.

Company Secretary

The Company Secretary, Vincent Tan Choong Khiang, has twenty-one (21) years' experience in corporate secretarial practice. He is a council member cum Honorary Secretary 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 Committees' meetings. Mr Vincent Tan is responsible for the following in respect of effective Board operation:

- To ensure good information flows within the Board and its Committees, between senior management and Non-Executive Directors;
- To facilitate Director induction and assisting with professional development;
- To advise the Board through the Chairman of all corporate governance obligations and developments in best practice; and
- To be responsible for communicating with shareholders as appropriate.

The Board has direct access to the advice and services of the 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 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.

Board Delegation

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

Corporate Governance Report

Corporate Governance Overview Statement

Board Committees

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 GNRC 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. Each Committee's Terms of Reference can be found on the Company's corporate website.

The ARMC has responsibility for oversight of corporate reporting, risk management and the Company's relationship with its external auditors. For further details, the Audit and Risk Management Committee Report can be found on pages 107 to 112.

The GNRC is responsible for oversight of the structure, size, composition and succession planning of the Board and senior management, overall compliance with corporate governance standards and is also responsible for setting the remuneration policy for the Board and ensures that no Director is involved in decisions affecting their own remuneration. The GNRC's main activities in 2017 and its priorities for 2018 are set out on pages 79 to 80.

Board and Committees Attendance

Directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively, including adequate time to prepare for Board and Committee meetings and in joining visits to the Group's operational sites.

Attendance at Board and Committee meetings during the FY2017 is set out in the table below. The table shows the number of meetings each Director was eligible to attend:

	Board	ARMC	GNRC
Number of meetings held in year			
Executive Directors			
Tan Sri Dato' Lee Shin Cheng	7/8 **(88%)**	–	–
Dato' Lee Yeow Chor^	8/8 **(100%)**	–	–
Lee Cheng Leang	7/8 **(88%)**	–	–
Non-Executive Directors			
Tan Sri Peter Chin Fah Kui	7/8 **(88%)**	6/7 **(86%)**	5/5 **(100%)**
Tan Sri Dr Rahamat Bivi binti Yusoff*	–	–	–
Datuk Karownakaran @ Karunakaran a/l Ramasamy	7/8 **(88%)**	6/7 **(86%)**	4/5 **(80%)**
Cheah Tek Kuang	7/8 **(88%)**	6/7 **(86%)**	4/5 **(80%)**
James Lim Tuang Ooi**	8/8 **(100%)**	–	–
Lee Yeow Seng	7/8 **(88%)**	–	–

* *Tan Sri Dr Rahamat Bivi binti Yusoff was appointed to the Board on 15 August 2017 and commenced her GNRC membership on 1 September 2017.*

^ *In his capacity as Director, and he attended (by invitation) all relevant Board and Committee meetings in his capacity as CEO.*

** *In his capacity as Director, and he attended (by invitation) all relevant Board and Committee meetings.*

EFFECTIVENESS

Board Activities in Year 2017

The Board has an agenda that ensures strategic, budget, sustainability, risk management and internal control, operational, financial performance and corporate governance items are discussed at the appropriate time at Board meetings. The Board agenda has strong links to the strategic objectives for the business. Key highlights of the Board's 2017 activities and priorities are set out below:

Board Activities & Focus in 2017

Strategy – Sustainability	Governance & Reporting	Financial, Risk & Management Performance
Proposed disposal of entities constituting the edible oils and fats business		
Sustainability strategy & targets	Review of annual report, quarterly results & financial statements	Capital expenditure approvals & performance reviews of historical capex
RSPO compliance updates	Board evaluation and effectiveness	The Group's budget, forecasts & key performance targets & indicators
Sustainability Palm Oil Policy	Board diversity	Dividend approvals
Sustainability Implementation Plan		Risk management & internal control
Material Sustainability matters		Group's operational efficiency
Group's Information Technology ("IT") Roadmap/Digitisation plan		

Looking ahead to 2018

During the year the Board will:

- Spend time looking at major strategic issues including innovation, sustainability and market dynamics
- Focus on senior management succession planning
- Focus on Group's IT Roadmap/Digitisation plan

The Board places considerable emphasis on the need for our business to be sustainable for the long term, to meet the expectations of our stakeholders and inform our commitments to community.

The Board also through the ARMC to specifically monitor RSPO sustainability matters, having regard to the need to ensure active oversight of the compliance and progress of field verification visits.

The Composition members of GNRC is set out in the Directors' Report.

GNRC Activities & Focus in 2017

Governance	Remuneration	Nomination	Strategic
Review of GNRC's Terms of Reference	Review of CG report	Search, selection, review & recommendation for new women directors	Notation on management succession programme
Review of Board evaluation & effectiveness	Board evaluation and effectiveness	Review & recommend the retiring Directors standing for re-election & re-appointment at the AGM in 2017	
Review of Non-Executive Directors' Independence	Review of Board diversity		
Deliberate & review on the CG Code & Corporate Transparency reporting findings	Review of Executive Directors' remuneration		
Review the size, structure of the Board & committees composition	Review of Directors' fees & benefits payable		
	Review the findings of key senior management personnel salaries		

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Looking ahead to 2018

In addition to routine business, during the year, the GNRC will:

- Continue to review the balance, experience & skills of the Board, paying attention to the Board's gender diversity
- Continue to monitor succession planning for the senior leadership team, to ensure a healthy pipeline of talent is emerging for future senior executive management
- Review the Group's anti-corruption programme
- Review the senior management remuneration policies & procedures
- Discuss the engagement of external Board evaluation facilitator/consultant

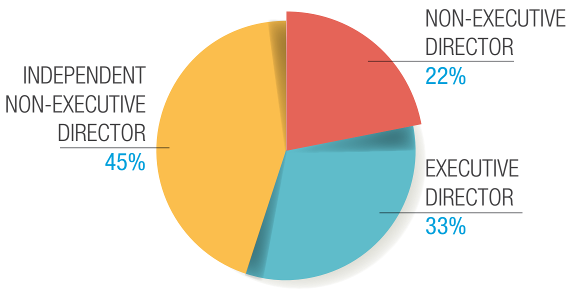
Board Composition and Independence

Under the Company's Constitution, the Board must have a minimum of two (2) two and a maximum of twelve (12) Directors. As at 29 August 2017, presently, the Board comprises nine (9) members, of whom three (3) are Executive Directors, four (4) 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 Malaysia Securities Berhad ("Bursa Malaysia") that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors.

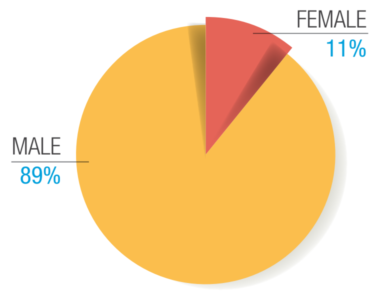
Other than the four (4) Independent Non-Executive Directors, Mr Lim Tuang Ooi, a representative from the EPF which is a substantial shareholder of the Company was appointed as Non-Independent Non-Executive Director.

The Board believes that an appropriate mix of Non-Executive and Executive Directors is beneficial to its role and provides strong operational and financial insights into the business.

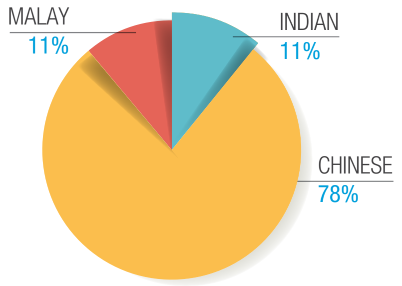
An ongoing focus on Board composition allows the GNRC to maintain a balanced mix of fresh insights (from recently appointed Directors) with institutional knowledge (from seasoned and longer-tenured Directors) and other perspectives in between (based on variations in Board tenure). The table below provides some general metrics on Board composition, which may be helpful for GNRC seeking to develop a view about longer-term positioning for the Board.



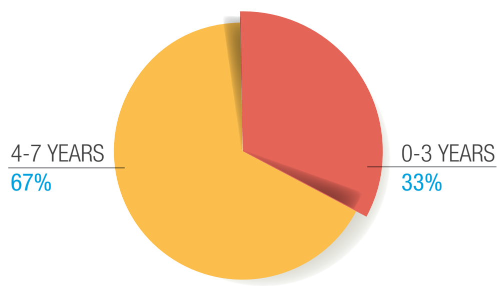
Board Composition As at 30 August 2017



Board Gender Diversity As at 30 August 2017



Board Ethnic Diversity As at 30 August 2017



Tenure of Non-Executive Directors As at 30 August 2017

How does our Board compare?

Summary Data	IOI	S&P 500	S&P 1500	Russell 3000
Average Board tenure (Years)	14*	10	10	9
Average age (Years old)	62	63	63	62
Gender diversity (% of Female)	11%	20%	16%	13%

* *Inclusive of Executive Directors*

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 believes that its composition represents an appropriate balance of Executive and Non-Executive Directors to achieve the promotion of shareholder interests and effective governance of the business, and yet allow for effective decision making. The Board also has access to, and ability to engage with, senior executives who may also attend Board and Board Committee meetings by invitation.

A brief profile of each Director is presented on pages 50 to 55 of the Annual Report, and the Notice of AGM for Directors proposed for re-election and re-appointment at the AGM. Currently, no alternate Directors have been appointed in respect of any of the Directors.

The Independent Non-Executive Directors bring a wide range of experience and expertise to the Group's affairs, and carry significant weight in the Board's decisions. The Independent Non-Executive Directors are encouraged to challenge management and help develop proposals on strategy. Where necessary, time is put aside at Board meetings to discuss the strategic direction of the Company.

All IOI Directors have an obligation to be independent in judgement and actions. Directors are considered to be independent if they satisfy established criteria, including the following:

(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 the Companies Act 2016;

(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 Malaysia 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 Malaysia; or

(g) has not engaged in any transaction with the Company under such circumstances as prescribed by Bursa Malaysia 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 Malaysia.

The GNRC reviews the independence of Directors annually according to the criteria on independence set out above. In essence, the above guidance is designed to ensure that all directors are able to act in the best interests of the Company at all times.

In addition to the annual review by the GNRC, each Independent Non-Executive Director also submits an annual declaration to the Company.

At the date of this Statement, the Board has six (6) Non-Executive Directors. Based on the above criteria, of the six (6) Non-Executive Directors, four (4) are considered to be independent and two (2) considered to be Non-Independent.

Appointments to the Board

The GNRC keeps the Board's balance of skills, knowledge, experience and the length of service of individuals under constant review. In respect of supplementing the skill set of the Board, there is an established procedure for the appointment of new Directors. In brief, the Committee identifies the set of skills and experience required and, selects individuals to take Board positions on review of their individual merits, regardless of gender, race, religion, age or disability.

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 financial 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 GNRC 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. The selection and nomination of Directors of the Company is depicted in the flow chart below with six (6) essential steps:

(a) Analysis

(b) Profile

(c) Search

(d) Selection

(e) Nomination

(f) Appointment

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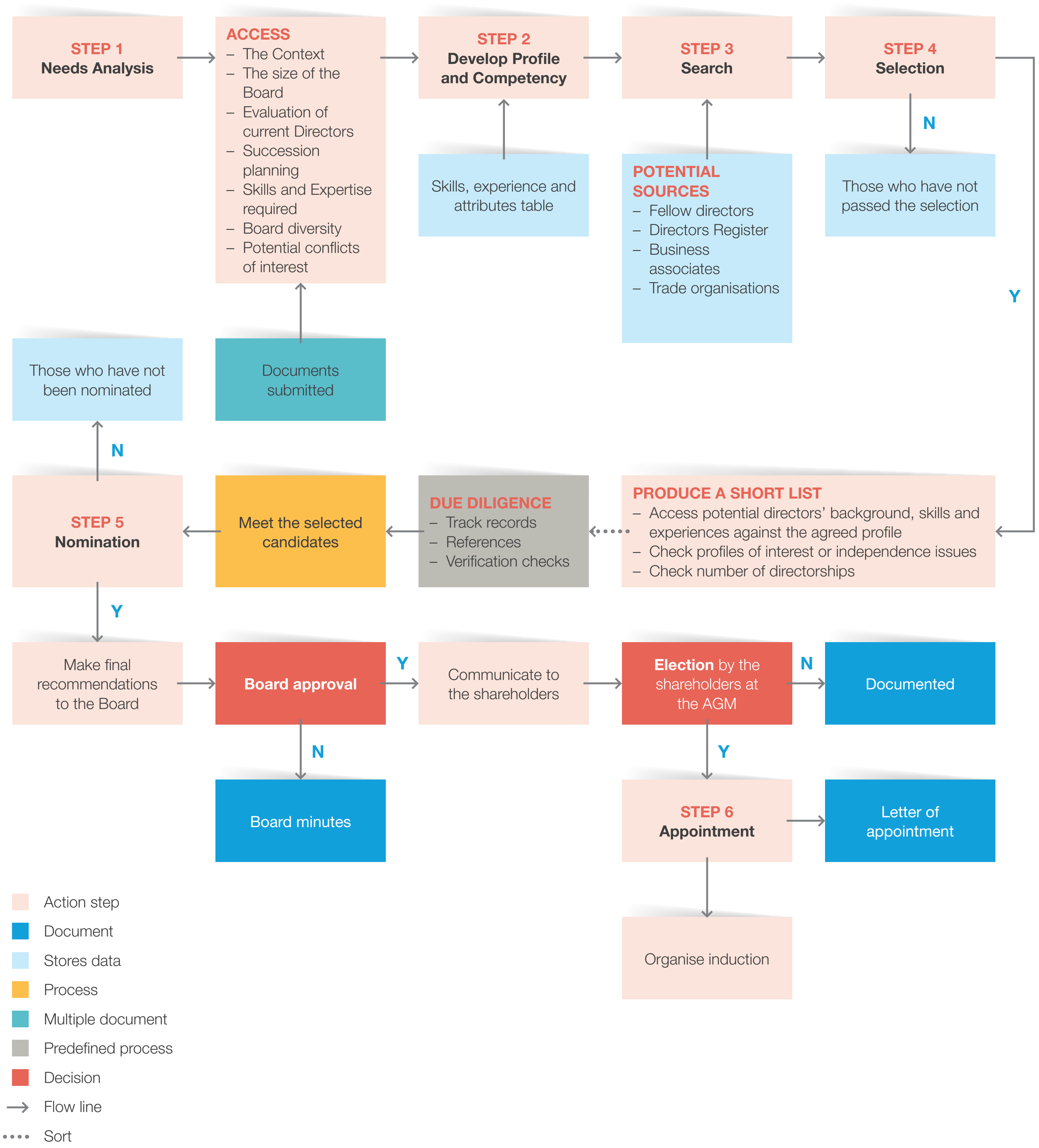
SELECTION AND NOMINATION PROCESS



The Board is comfortable that the skills and experience of the current Directors satisfy the requirements of the skills matrix. We believe that an effective Board has a balance of well-chosen, competent Directors who, with the Chairman's leadership and guidance, form a cohesive group to shape the Company's destiny, safeguard its interests, and ensure its profitable performance. For any new appointment, the GNRC will take into consideration the mix of skills, experience, characteristics and attributes that the Board will require.

In reviewing and recommending to the Board any new Director appointments, the GNRC 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 GNRC which would contribute to the Board's collective skills; and (d) any competing time commitments if the candidate has multiple Board representations.

The Non-Executive Directors are appointed under the terms of letter of appointment which defines role of Directors, including among others, the expectations in terms of independence participation, time commitment and continuous improvement. As part of their induction, new Directors also receive a comprehensive information pack and attend briefings with management to enable them to gain an understanding of the Group's businesses, key issues and operations. Visits to estates and manufacturing plants are also an integral part of the programme.

Copies of the letters of appointment of the Non-Executive Directors may be inspected at the registered office of the Company during normal business hours on any weekday (except Saturdays, Sundays and public holidays) and are available at the AGM.

Directors' Core Areas of Expertise

The primary driver for the Board in seeking new Directors is the skills and experience which are relevant to the needs of the Board in discharging its responsibilities to shareholders. Our policy is to assess all potential Board candidates without regard to race, gender, age, nationality, religious beliefs, or any other factor not relevant to their competence and performance as a potential Board member.

The Board believes that collectively the Directors have a diverse and relevant range of skills, backgrounds, knowledge and experience to ensure effective governance of the business. The members of the Board contribute across industry knowledge, international experience perspectives and specific subject matter expertise in a range of strategic, operational and financial aspects that are critical to the long term success of IOI Group. This means that the Board maintains a focus on its composition, thereby working to ensure that the Executive and Non-Executive Directors continue to have an appropriate balance of skills, experience and independence.

The following table sets out the composition of skills and experience of the Board:

Leadership — **100%**

- Successful history in business at a senior executive level
- Public listed company experience
- Understanding/influencing organisational culture

Strategic — **89%**

- Experience in developing and implementing successful strategy
- Ability to provide oversight of management for the delivery of strategic objectives

Governance — **100%**

- Experience in governance with complex organisations
- Commitment to ensuring effective governance structures
- Maintaining effective risk management and internal control

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Public Policy & Regulations — 44%

- Experience in managing how organisations adapt and respond to changing public policy settings
- Oversight and management of regulatory frameworks and processes designed to ensure that all regulatory obligations are met

Stakeholders Engagement — 78%

- Experience with community relations and government affairs
- Executive experience with industrial relations & NGOs

Health, Safety & Environmental — 100%

- Experience related to workplace health and safety
- Experience with environmental and community issues in a large organisation

Legal — 33%

- Experience and ability to anticipate legal issues or risks and to "see around the corner"
- In-depth understanding of how legal issues affect organisations
- General counseling experience in business environment
- Overall broad legal knowledge (corporate law, litigations, labor law, etc)

Finance & Banking — 22%

- An understanding of the financial services industry and capital market activities
- Experience in and exposure to multiple regulatory and financial business environment

Plantation & Agronomy — 33%

- Experience related to plantation cultivation & agronomy practices
- Large plantation organisation experience

Risk Management & Internal Control — 67%

- Experience in managing internal control processes, framework and risk management
- Experience with oversight of risk management and internal controls and frameworks application

Financial Acumen — 56%

- Experience in financial accounting and reporting, corporate finance and internal financial controls
- Experience in business analysis and financial forecasting

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

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).

The diversity policy provides a Board appointment process that takes diversity of background into account in addition to previous Board and leadership experience, candidates' skills and experience in a variety of specified fields, when selecting new Directors.

The Board of subsidiaries has a range of diverse participants across background, experience, gender mix and age. The average age of the Directors of the Company is sixty-two (62) years old, with an age range of thirty-nine (39) years old to seventy-eight (78) years old.

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 GNRC will continuously search for additional women candidate when it considers in its recruitment exercise.

We are committed to providing a balanced, an inclusive working environment 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. 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):

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	2,240	33.14	1,474	31.69	766	36.37
30-39	1,813	26.83	1,231	26.46	582	27.64
40-49	1,342	19.86	913	19.62	429	20.37
50-59	1,146	16.96	863	18.55	283	13.44
60-69	212	3.14	166	3.57	46	2.18
70 & above	5	0.07	5	0.11	0	0.00
Grand Total	**6,758**	**100.00**	**4,652**	**100.00**	**2,106**	**100.00**

69% 31%

Management position of IOI

Category	Total Headcount	Headcount of Male Employees	% of Male Employees	Headcount of Female Employees	% of Female Employees
In management position (Manager & above)	400	304	76.00	96	24.00

In management position

76% 24%

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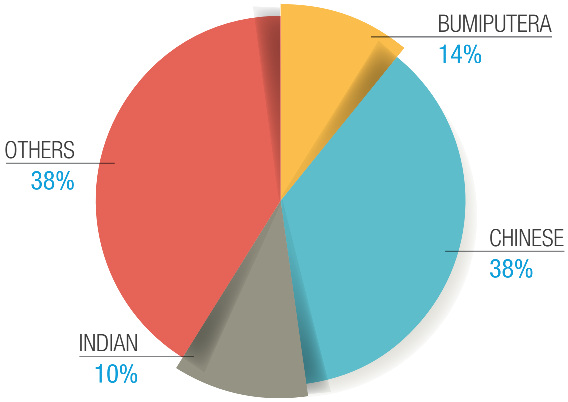
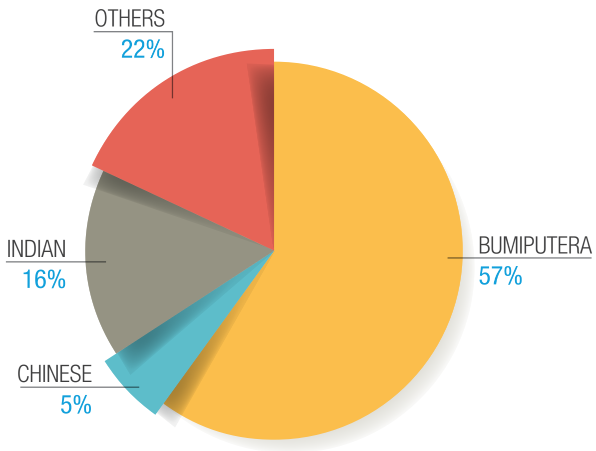
Employees Ethnicity



In management position (Manager & above)



For all employees (except those in Management position and Directors on the Board)

Time Commitment

All Directors are advised of the likely time commitments required on appointment and are expected to devote sufficient time for the effective discharge of their functions. The Company provides Non-Executive Directors with appropriate support and facilities for consideration of the Company's strategy and performance, and a dialogue with the Executive Chairman is strongly encouraged so that any issues regarding conflicting commitments and time pressures can be addressed appropriately.

Regular Board and Committee meetings are scheduled throughout the year and the Directors must 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 Board has at least seven (7) 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.

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 Malaysia 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 scheduled dates for meetings of the Board and Board Committees as well as the AGM.

Conflicts of Interest

The Board has an established process for declaring and monitoring actual and potential conflicts. The Constitution of the Company allows the non-conflicted members of the Board to authorise a conflict or potential conflict situation.

Information Provided to the Directors

The Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors. For each Board and Committee meeting, where possible, the Directors are provided with a tailored Board pack at least one week prior to the meeting. Directors regularly receive additional information from the Company between Board meetings, where a Director was unable to attend a meeting, they were provided with all the papers and information relating to that meeting and were able to discuss issues arising directly with the Executive Chairman and/or CEO.

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.

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.

Board Evaluation

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 or her 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 or her involvement in any significant transaction with IOI Group.

When considering the re-nomination of Directors for re-election or appointment, the GNRC 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 or her time commitments with the proposed new appointments.

During the year under review, the Board conducted an internally facilitated Board assessment. Directors provided 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 election.

The results and recommendations from the evaluation of the Board and Committees are reported to the full Board for further consideration and action, where required, in September 2016. The feedback confirmed that the Board and each of its Committees continue to operate effectively and that each Director continues to make an effective contribution and demonstrates a strong commitment to the role. The entire Board agrees improvement actions where appropriate and these are acted upon utilising support from the Company Secretary.

The key actions after Board evaluation and progress in meeting them are summarised below:

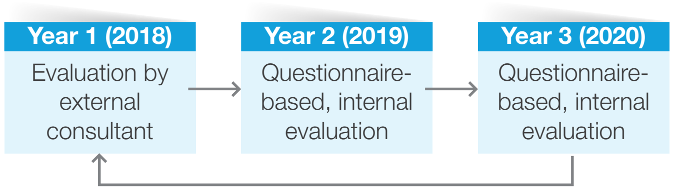
- Continue to focus on long term strategy and strategic acquisition
- Continue to concentrate on risks that could materially impact the Group's strategy and long term viability
- Ensure that the Board is regularly exposed to the global nature of our business, including overseas site visits and meetings
- Continue to focus on succession planning of senior management
- Continue to focus on sustainability management and RSPO compliance

It is the Board's intention to continue to review its performance and that of its Committees and individual Directors on an annual basis. In respect of the evaluation process for 2017/2018, financial year 2018 will be the first year in the Board's three (3)-year review cycle, which summarise as follows:

Year 1 (2018) – a full external evaluation

Year 2 (2019) – an internal review, against the detailed Year 1 review

Year 3 (2020) – a questionnaire-based internal evaluation



Re-election and Re-appointment of Directors

In accordance with the Company's Constitution, all Directors who are appointed by the Board are subject to re-election by shareholders at the first opportunity after their appointment. The Constitution also provides 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.

In accordance with the Constitution, Tan Sri Dr Rahamat Bivi binti Yusoff, Mr Lee Cheng Leang and Lee Yeow Seng will retire and offer themselves for re-election at the Company's AGM in October 2017 ("2017 AGM"). The profiles of the Directors who are due for re-election are set out on pages 52 and 53.

The Companies Act 2016 had removed the age limit of seventy (70) years for Directors of a public company and its subsidiaries in Section 129 of the then Companies Act 1965. However, Tan Sri Dato' Lee Shin Cheng and Tan Sri Peter Chin Fah Kui were re-appointed at the last AGM and such re-appointment is only valid until this AGM. Both Tan Sri Dato' Lee Shin Cheng and Tan Sri Peter Chin Fah Kui have offered themselves for re-appointment at the 2017 AGM. After the 2017 AGM, they shall be subject to retirement by rotation under the Constitution at least once every three (3) years. Their profiles are set out on pages 50 and 53.

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Business Ethics, Integrity and Whistleblowing

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 is 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's 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 the Code of Ethics for Directors, issued by the Companies Commission of Malaysia. The 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 Group 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, 62502 Putrajaya, Malaysia

Position	Name	Email address
Senior Independent Non-Executive Director	Tan Sri Peter Chin Fah Kui	peterchin45@yahoo.com
Chairman of ARMC	Datuk Karownakaran @ Karunakaran a/l Ramasamy	karu.kr@gmail.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	whistleblowing@ioigroup.com
Executive Director, IOI Oleochemical	Tan Kean Hua	whistleblowing@ioigroup.com

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

Board Development

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 except Tan Sri Dr Rahamat Bivi binti Yusoff had completed the Mandatory Accreditation Programme ("MAP") as specified by Bursa Malaysia. Tan Sri Dr Rahamat Bivi binti Yusoff will be attending the MAP organised by the ICLIF Leadership and Governance Centre on 6 and 7 November 2017.

The GNRC is responsible for ensuring that all Non-Executive Directors receive ongoing training and development. Our Non-Executive Directors are conscious of the need to keep them properly briefed and informed about current issues. During the financial year, members of the Board who have attended various training programmes, forums, conferences and seminars including specific and tailored updates on the Companies Act 2016 are as follows:

Tan Sri Dato' Lee Shin Cheng	Briefing on the New Companies Act 2016	9 December 2016
	Corporate Malaysia Roundtable Talk – Role of Infrastructure in Development	14 March 2017
Dato' Lee Yeow Chor	Briefing on the New Companies Act 2016	9 December 2016
	Reach and Rewind Friends of the Industry Seminar and Dialogue with Minister	10 January 2017
	28th Palm and Lauric Oils: Price Outlook Conference and Exhibition 2017/2018	7 March 2017 & 8 March 2017
	Global Transformation Forum	22 March 2017 & 23 March 2017
	Coaching the Coach Workshop	3 May 2017
Lee Yeow Seng	GIC Leadership Programme in Singapore	17 August 2016
	Sustainability Workshop	31 March 2017
Lee Cheng Leang	Corporate Governance Workshop: The Interplay between Corporate Governance, Non-Financial Information and Investment Decisions by Bursa Malaysia Securities Berhad	28 September 2016
	Launch of the AGM Guide & Corporate Governance Breakfast Series: How to leverage on AGMs for better engagement with shareholders	21 November 2016
	Corporate Governance Breakfast Series with Directors: "Anti-Corruption & Integrity – Foundation of Corporate Sustainability"	8 December 2016
Tan Sri Peter Chin Fah Kui	Nominating Committee Programme: Effective Board Evaluations	10 August 2016
	Briefing on the New Companies Act 2016	9 December 2016
	Bursa Malaysia Sustainability Forum 2017 – "The Velocity of Global Change & Sustainability – The New Business Model"	10 January 2017
	ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2016	10 January 2017
	NAM Institute for the Empowerment of Women: Luncheon Talk	23 May 2017

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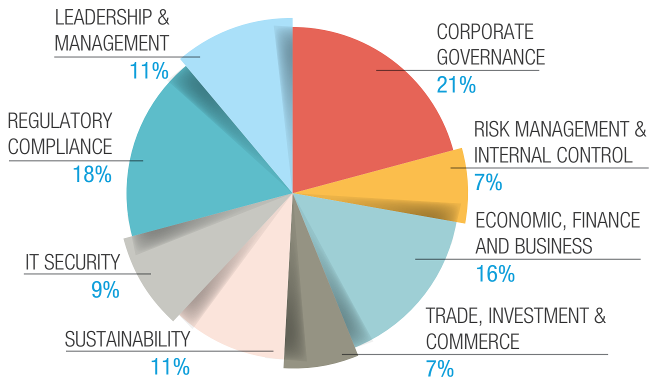
Datuk Karownakaran @ Karunakaran a/l Ramasamy	Maybank Annual Risk Workshop	29 July 2016
	Etiqa Annual Risk Workshop	22 September 2016
	Role of the Chairman & Independent Directors	28 September 2016
	Issues and Challenges of the Malaysian Capital Market's Ecosystem	4 October 2016
	Maybank Compliance Training Program	7 December 2016
	Briefing on the New Companies Act 2016	9 December 2016
	Invest ASEANS 2017	8 February 2017
	Breakfast Talk with ACGA: CG Watch 2016 – Ecosystem Matter	7 March 2017
	Cyber in the Boardroom: The first place to address cyber security risk	21 March 2017
Cheah Tek Kuang	ICLIF – Board Chairman Series Part 2: "Leadership Excellence from the Chair"	11 August 2016
	Sustainability Management on "Best Practices for Sustainability Reporting – What a Company Director Need to Know"	11 October 2016
	Launch of the AGM Guide & Corporate Governance Breakfast Series: How to leverage on AGMs for better engagement with shareholders	21 November 2016
	Briefing on the New Companies Act 2016	9 December 2016
	Bursa Malaysia Sustainability Forum 2017 – "The Velocity of Global Change & Sustainability – The New Business Model"	10 January 2017
	Bank of Singapore – Global Outlook 2017	18 January 2017
	Global Transformation Forum	22 March 2017 & 23 March 2017
	Securities Commission – The release of the Malaysian Code on Corporate Governance	26 April 2017
	Directors' In-House Training on Companies Act 2016	18 May 2017
Lim Tuang Ooi	ASEAN IT Security Conference 2016	19 July 2016
	International Social Security Conference 2016	10 August 2016 & 11 August 2016
	Unscheduled Crisis Simulation	2 September 2016
	EIS Investment Seminar 2016	22 October 2016
	Corporate Governance Breakfast Series with Directors: "Anti-Corruption & Integrity – Foundation of Corporate Sustainability"	8 December 2016
	Briefing on the New Companies Act 2016	9 December 2016
	EPF Management Conference 2017	13 April 2017 to 15 April 2017
	Cyber Security Conference on Raising the Bar for Securing Digital Economy Content	27 April 2017
	Strategic Leadership Alignment Objectives	7 May 2017 to 9 May 2017
	IDC ASEAN IT Security Conference 2017	25 May 2017

The diagram and table below show the key learning areas/topics and details of training attended our Directors in the FY2017:

Key Areas/topics of learning	No of training attended	%
Corporate Governance	10	21
Risk Management & Internal Control	3	7
Economic, Finance and Business	7	16
Trade, Investment & Commerce	3	7
Sustainability	5	11
IT Security	4	9
Regulatory Compliance	8	18
Leadership & Management	5	11
Total	**45**	**100**



Remuneration of Directors and Key Senior Management Personnel

The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the key senior management personnel. The Company has identified the CEO (Specialty Oils & Fats), Executive Director (Oleochemical), Chief Financial Officer, Senior General Manager (Plantation) and General Manager (Commodities Marketing) who are the most senior management personnel outside the Board as its key senior management personnel.

The objective of the Group's remuneration policies is to provide fair and competitive remuneration to its Board and senior management personnel in order for the Company to benefit by attracting and retaining a high quality team.

Based on the remuneration framework, the remuneration packages for the Executive Directors and key senior management personnel comprise a fixed component (in the form of a base salary and, where applicable, fixed allowances determined by the Group's Human Resource policies) and variable components (which would normally comprise bonuses) together with benefits-in-kind, if any, 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.

There are no termination, retirement and post-retirement benefits that may be granted to Directors and the top five key management personnel (who are not Executive Chairman and CEO) except for those payment pursuant to statutory requirements.

Executive Directors are eligible to participate in the Company's Executive Share Option Scheme ("ESOS") and on the same basis as other eligible employees. During the FY2017, the Company granted share options under the ESOS to all Executive Directors, the details of which are set out in the Directors' Report of the Company. The ESOS is intended to achieve the following objectives:

(a) to motivate, reward and retain the eligible employees who, upon exercising their share options, would be given the opportunity to participate in the equity of the Company and thereby relate their contribution directly to the performance of the Group;

(b) to provide an incentive for the eligible employees to participate more actively in the operations of the Company and encourage them to contribute to the future growth of the Group; and

(c) to make employees' remuneration scheme more competitive to attract more skilled and experienced individuals to join the Group and contribute to its continued growth and profitability.

The Company provides Directors' and Officers' Liability Insurance and may provide an indemnity to the fullest extent permitted by the Companies Act 2016, the cost such Liability Insurance is set out in the Directors' Report.

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 GNRC takes into the consideration of Directors' respective roles and responsibilities in the Board and Committees and the GNRC also compared against 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 GNRC 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.

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The structure of the fees payable to Directors of the Company for the FY2018 is as follows:

Appointment	Per annum (RM)
Board of Directors	
– Base fee	120,000
Audit and Risk Management Committee	
– ARMC Chairman's fee	45,000
– ARMC Member's fee	30,000
Governance, Nominating and Remuneration Committee	
– GNRC Chairman's fee	20,000
– GNRC Member's fee	15,000

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the FY2017 are as follows:

	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	120	22,881	35	113	**23,149**	–	–	**23,149**
Dato' Lee Yeow Chor	120	11,637	35	73	**11,865**	–	–	**11,865**
Lee Cheng Leang	120	–	–	8	**128**	384	12	**524**
Total	**360**	**34,518**	**70**	**194**	**35,142**	**384**	**12**	**35,538**
Non-Executive Directors								
Tan Sri Peter Chin Fah Kui	170	–	–	9	**179**	–	–	**179**
Tan Sri Dr Rahamat Bivi binti Yusoff**	–	–	–	–	**–**	–	–	**–**
Datuk Karownakaran @ Karunakaran a/l Ramasamy	180	–	–	9	**189**	–	–	**189**
Lee Yeow Seng	120	–	–	8	**128**	–	–	**128**
Cheah Tek Kuang	165	–	–	9	**174**	–	–	**174**
Lim Tuang Ooi	120*	–	–	10	**130**	–	–	**130**
Total	**755**	**–**	**–**	**45**	**800**	**–**	**–**	**800**

Notes:

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

^ *Comprises meeting allowances, social security welfare contributions 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.*

** *Appointed on 15 August 2017.*

Number of Directors whose remuneration falls into the following bands:

	Number of Directors	
Range of Remuneration	**Executive**	**Non-Executive**
RM100,001 to RM150,000	–	2
RM150,001 to RM200,000	–	3
RM200,001 to RM250,000	–	–
RM500,001 to RM550,000	1	–
RM550,001 to RM11,850,000	–	–
RM11,850,001 to RM11,900,000	1	–
RM11,900,001 to RM23,100,000	–	–
RM23,100,001 to RM23,150,000	1	–

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.

We consider economic, environmental and social sustainability factors as part of our consideration of our risks. Each year we undertake an assessment to help us determine those risks and opportunities that are most important to our business and stakeholders. More information about this assessment, along with our approach to sustainability and performance throughout the FY2017, is available in our Sustainability Report of year 2017.

ACCOUNTABILITY AND EFFECTIVE AUDIT

Audit and Risk Management Committee ("ARMC")

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 Malaysia 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 2017.

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

- Management's Discussion and Analysis;
- Financial trends and highlights, key performance indicators and other background industry notes deemed necessary; and
- Sustainability Report.

The ARMC Report, which describes the membership of the ARMC, its responsibilities, main activities in 2017 and priorities for 2018, is set out on pages 107 to 112.

External Auditor

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 FY2017, the ARMC met privately two (2) 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 FY2017 was RM456,000 (FY2016: RM332,000).

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.

Risk Management and Internal Audit

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. We have a risk management framework in place that provides the foundations and organisational arrangement for how we manage risks across the Group.

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There are clear procedures and defined authorities for the following:

- Financial reporting, with clear policies and procedures governing the financial reporting process and preparation of the financial statements. There is a clear and documented framework of required controls. Each reporting location prepares an annual self-assessment of compliance with these controls, which is assured during planned internal audit visits.
- Comprehensive monitoring and quantification of business risks, under the direction of the ARMC. The Group's approach to risk management and the principal risks facing the Group are discussed in more detail in the Statement on Risk Management and Internal Control of the Group on pages 113 to 116.
- Capital investment with detailed appraisal, risk analysis and authorisation.

A summary of the material risks that could affect IOI Group (including any material exposure to economic, environmental and social sustainability risks) are monitored for changes in their exposure and are reported to the Board and ARMC during the course of the year, along with their related controls and action plans.

Also core to our risk management framework are the activities we undertake to monitor and review its design and implementation. In respect of the FY2017, the ARMC satisfied itself that the framework continues to be sound and will only review IOI Group's risk management framework as and when it is necessary.

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.

The planning process for the year's audit work is undertaken by the internal audit team, led by our Group Head of Internal Audit. Themes from prior year audits, key risk areas and fundamental controls feed into the selection of the audit programme, which is approved by the ARMC. Consideration is given to the appropriate mix of IT and manual controls to be tested.

The Board discharged its responsibility for monitoring the operational effectiveness of the internal control and risk management systems throughout the financial year and up to the date of approval of the Annual Report.

INTEGRITY IN CORPORATE REPORTING

Directors' Responsibility for Preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act 2016 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 Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia.

The Directors having reviewed the business plans, capital expenditure commitments and expected cash flows are satisfied that the Company and the Group have adequate resources to continue operations for the foreseeable future and therefore continue to adopt the going concern basis in preparing these Financial Statements.

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.

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.

RELATIONS WITH STAKEHOLDERS

Community Engagement

The Group recognises the importance of stakeholder engagement to the long-term sustainability of its businesses. A variety of engagement initiatives including direct meetings and dialogues with community are constantly conducted to learn about their welfare needs. We also actively seek solutions to grievances and disputes through negotiations and other due processes. These sets of handling procedures are developed to guide us through in our resolutions with the stakeholders involved;

- Boundary dispute handling
- Squatters dispute handling
- Social issues handling

Following an intensive period of stakeholder consultation, we had in August 2016 published a revised Group Sustainable Palm Oil Policy (SPOP), alongside a detailed Sustainability Implementation Plan (SIP) with a pledge to regularly update to reflect stakeholders' input and implementation on the ground.

In addition to the whistleblowing channel, the Group has also established grievance mechanism to provide a formal channel for the affected stakeholders to raise their grievances.

Further details on the stakeholders engagement can be found on our Sustainability Report of year 2017.

Communication 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 road shows and investors conferences, both domestically and internationally; and
- Participating in teleconferences with investors and analysts.

The AGM provides an opportunity for shareholders to raise questions with Board members. The Directors are also available to answer questions ("Q&A") afterwards in a more informal setting. The Annual Report containing Audited Financial Statements and Sustainability Report, including notice of AGM accompanying proxy form, are sent to shareholders at least twenty-eight (28) days before the AGM.

At the last AGM held on 28 October 2016 ("2016 AGM"), there was a total of 1,495 valid proxy forms and certificates of corporate representative received by the Company, representing 81.17% of the Company's total issued share capital. Based on our records, a total of 1,049 shareholders (including proxies and corporate representatives) registered at the 2016 AGM, of which approximately 400 shareholders/proxies were present and attended the 2016 AGM.

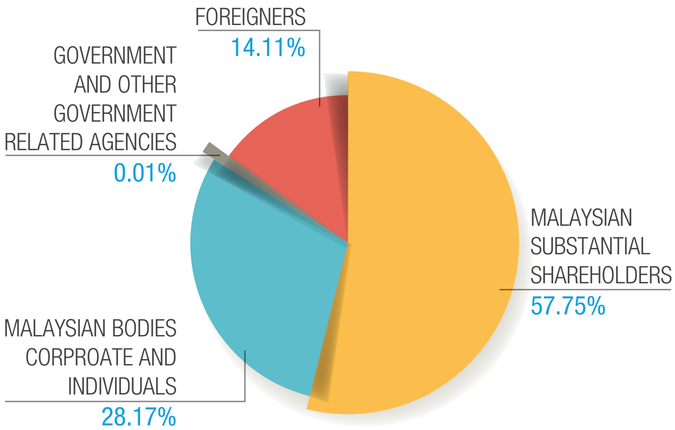
IOI Group has also established several websites with the main one being www.ioigroup.com for shareholders and the public to access corporate information, financial statements, news and events related to IOI Group on a timely basis. Material facts and presentation materials given out at above functions 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 twenty-four (24) 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 and Sustainability Report are 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.

The Board believes its practices in this area are consistent with both the CG Code concerning dialogue with shareholders, and good governance.

Composition of Shareholders as at 28 August 2017



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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 endeavor to reply to these queries in the shortest possible time.

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, GNRC (formerly NRC) and the external auditors were present at the last AGM, and the full Board plans to attend the 2017 AGM, which provides an opportunity for all shareholders to question the Directors in person.

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.

The Company had implemented the poll voting for all resolutions set out in the Notice of AGM via electronic means at the AGM held on 28 October 2016 to expedite verification and counting of votes. In addition, the Company has appointed one (1) scrutineer to validate the votes cast at the AGM.

Intended Outcome 1.0

Every company is headed by a Board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The Board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance.

The Board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

How has the Company complied:

The Board's strategic leadership role, governance arrangements, and effectiveness are discussed in the 'Board Leadership' on pages 75 to 77.

Practice 1.2

A Chairman of the Board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board is appointed.

How has the Company complied:

As a Board, we are the stewards of the Company. It is our responsibility to ensure that the Company's strategy is aligned to the interests of our shareholders and takes account of the interests of all others Company's stakeholders. As individuals, we believe that effective corporate governance is based on honesty, integrity and transparency and can only be fully realised within an environment of open, robust and effective debate. This is the Board culture we foster at IOI Group and that we continue to live this culture and promote it within our business.

Further details, please see sections "Board Leadership", "Effectiveness" and "Appointments to the Board".

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

How has the Company complied:

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.

Tan Sri Dato' Lee Shin Cheng is the father of Dato' Lee Yeow Chor who had been appointed the CEO of the Company, a family controlled public listed company, since 2014 as part of a staged succession plan at the Company.

Practice 1.4	The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices. **How has the Company complied:** Mr Vincent Tan Choong Khiang is the Company Secretary and his role as Company Secretary is by Board appointment. Details of Mr Vincent Tan's role, experience and qualifications are set out in the Profile of Senior Management Team section on page 58.
Practice 1.5	Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner. **How has the Company complied:** Prior to each meeting, members of the Board and the Committees are provided with the meeting agenda and the relevant papers submitted by the management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. The minutes of meetings of the Committees are circulated to all Board members.

Intended Outcome 2.0

There is demarcation of responsibilities between the Board, Board committees and management.

There is clarity in the authority of the Board, its committees and individual Directors.

Practice 2.1	The Board has a Board Charter which is periodically reviewed and published on the company's website. The Board Charter clearly identifies: • the respective roles and responsibilities of the Board, Board committees, individual Directors and management; and • issues and decisions reserved for the Board. **How has the Company complied:** Our Board Charter is available on our website which has been incorporated into our organisation's governance system, documenting the policies that the Board has decided upon to meet, among others, its responsibilities, governance and leadership as a description tool of how the Board operates.

Intended Outcome 3.0

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The Board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1	The Board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering. The Code of Conduct and Ethics is published on the company's website. **How has the Company complied:** All of IOI Group's relationships are underpinned by high ethical standards, as expressed in our Code of Ethics and Conduct, which establishes rules to be followed by the Board of Directors and employees in relation with the Group, with co-workers and with people who have any kind of link with the Group. To tackle new challenges, the Code of Ethics and Conduct will be further reviewed in the FY2018 to include anti-corruption programme. The existing copy of the Code can be found on our website.

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Practice 3.2	The Board establishes, reviews and together with management implements policies and procedures on whistleblowing. **How has the Company complied:** We publish the whistleblowing procedures with the objective that all employees of the Group and other interested parties have the mechanisms to act when they want to use the whistleblowing channel. The details on the procedures are set out in the section "Business Ethics, Integrity and Whistleblowing" of the CG Overview Statement, and can be found on our website.

Intended Outcome 4.0

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1	At least half of the Board comprises Independent Directors. For Large Companies, the Board comprises a majority Independent Directors **How has the Company complied:** As at 29 September 2017, the Board comprises nine (9) members, of whom three (3) are Executive Directors, four (4) 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 Malaysia that requires a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be Independent Directors. However, under the CG Code, the Board does not has the majority presence of Independent Non-Executive Directors. 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. Notwithstanding the above, the Board operates in a manner that ensures that the Directors exercise independent judgement and the interests of shareholders are always at the forefront when important decisions are made by the Board. The Board through the GNRC will continue to review yearly on the composition of the Board.
Practice 4.2	The tenure of an Independent Director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the twelfth (12) year, the Board should seek annual shareholders' approval through a two-tier voting process. **How has the Company complied:** During the FY2017, no Independent Director had served on the Board for more than nine (9) years from the date of their first appointments.
Step Up Practice 4.3	The Board has a policy which limits the tenure of its Independent Directors to nine (9) years. **How has the Company complied:** The Board through its Charter has a policy which limits the tenure of its Independent Directors to nine (9) years.

Practice 4.4	Appointment of Board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.
	How has the Company complied: With a view to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board and senior management levels as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In any appointment, number of aspects has been considered to maintain a diversified Board and senior management team which will help in the growth of the Group and to have better governance in the Group, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. An inclusive culture helps us to respond to our increasingly diverse global customer base. The Company's deep roots in many geographical regions and an international approach inform our perspective on diversity. All appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and workforce.
Practice 4.5	The Board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For large companies, the Board must have at least thirty percent (30%) women directors.
	How has the Company complied: As at 29 September 2017, the Company's appointment of one (1) female Board member in August 2017 means women account for eleven percent (11%) of Board members. The appointment reflects an identified need for greater female representation on the Board. The Board believes that while it is important to promote gender diversity and, it will through the GNRC to continuously identify the candidate where the selection criteria of a woman Director will be based on an effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board.
Practice 4.6	In identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from existing Board members, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates.
	How has the Company complied: GNRC plays the critical role of linking the Board's Director recruitment, selection and succession planning processes to the company's strategic goals. In the case of new women director candidates, our GNRC has considered individuals recommended by Board members, management, major shareholders and Women Directors' Registry.
Practice 4.7	The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.
	How has the Company complied: Having considered the combined roles, functions and responsibilities of our Governance, Nominating and Remuneration Committee ("GNRC"), Tan Sri Peter Chin Fah Kui, the Senior Independent Non-Executive Director has been regarded as the most suitable Independent Non-Executive Director to assume the chair. His appointment was further constituted by the Terms of Reference of the GNRC. In addition, we also see value in the CEO attending our GNRCs (by invitation) as it is important for the GNRC members to understand his views, particularly on internal talent.

Corporate Governance Report

Intended Outcome 5.0

Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual Directors.

Practice 5.1

The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual Director. The board should disclose how the assessment was carried out and its outcome.

For large companies, the Board engages independent experts periodically to facilitate objective and candid board evaluations.

How has the Company complied:

Evaluation has provided our Board and its committees with the opportunity to consider how group culture, cohesiveness, composition, leadership and related meeting and information processes and governance policies influence performance. In addition to helping identify areas for potential adjustment, the evaluation provided an opportunity to remind Directors of the importance of group dynamics and effective Board and Committee processes in fulfilling Board and Committee responsibilities.

In order to keep the evaluation meaningful, 2018 will be the first year in the Board's three (3)-year review cycle.

Intended Outcome 6.0

The level and composition of remuneration of Directors and senior management take into account the company's desire to attract and retain the right talent in the Board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The Board has in place policies and procedures to determine the remuneration of Directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

How has the Company complied:

The following four (4) principles continue to underpin our approach in the remuneration framework:

- Simple – The framework should be simple and transparent for all stakeholders to understand.
- Competitive and fair – Attracting and retaining leaders of the necessary calibre requires remuneration arrangements that are reasonable in the markets in which we compete for talent and which fairly reflect the appropriate market rates for the skills and experience of the individual. At the same time, we always remain cognisant of the need to ensure value for money and to reflect our status as an established listed Group.
- Performance – There should be a performance related element of the package which rewards performance in areas that are most important for our stakeholders. There should be no reward for failure.
- Aligned with employees – Where possible, remuneration structures will be aligned across the organisation.

Save as disclosed in our CG Overview Statement and the above, our detailed policies and procedures are not made available on the company's website. The Board through GNRC has identified this as one of the key focus areas for further deliberation in the FY2018.

Practice 6.2	The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and senior management. The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website. **How has the Company complied:** Following the implementation of the CG Code, our GNRC's Terms of Reference, copy of which is available on the Company's website, has been reviewed and expanded its scope to include the remuneration of senior executive management.

Intended Outcome 7.0

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1	There is detailed disclosure on named basis for the remuneration of individual Directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments. **How has the Company complied:** The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the FY2017 are disclosed in CG Overview Statement.
Practice 7.2	The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000. **How has the Company complied:** While the Company notes the need for corporate transparency in the remuneration of its key senior management executives, the Company notes that the disclosure of details in excess of the above may be detrimental to its business interests, given the competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, where poaching has become common place. Hence, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company's top five (5) senior management personnel who are not Directors. To provide some insight on the level of remuneration paid to the senior management team, the Company has taken the step to disclose the aggregate total remuneration paid to the members of the top five (5) key senior management personnel. The aggregate remuneration for these members of the key senior management team for the FY2017 is approximately RM6.4 million.
Step Up Practice 7.3	Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis. **How has the Company complied:** Please refer the answer in Practice 7.2 above.

Corporate Governance Report

Intended Outcome 8.0

There is an effective and independent Audit Committee. The Board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the Board.

How has the Company complied:

Our Chairman of the ARMC of the Company is neither the Chairman of the Board nor other Board Committee's Chairman as our Board acknowledges that the ARMC being an independent, objective body, it should function as the Company's independent watchdog to ensure the integrity of financial controls, combined assurance and effective financial risk management.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

How has the Company complied:

Conflict of interest is one primary concern of the Company for ensuring external auditor's independence. Objectivity and independence may be threatened where an officer or employee of an audit client who is in a position to exert direct and significant influence over the preparation of the financial statements has recently been a partner in the audit firm or a member of the audit engagement team.

The ARMC of the Company has addressed these concerns by requiring a 'cooling-off' period between the partner's or professional employee's departure from the audit firm and his or her joining the audit client. The obligation under the restriction is placed on the former partner. Such policy is available on the Company's website.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

How has the Company complied:

The ARMC of the Company is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors, based on the policy approved by the Board on 24 August 2015, further information on the policy is available on the Company's website.

Step Up Practice 8.4

The Audit Committee should comprise solely of Independent Directors.

How has the Company complied:

As at 29 September 2017, the ARMC comprises three (3) Independent Non-Executive Directors as disclosed in Audit and Risk Management Committee Report on page 107.

Practice 8.5	Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
	How has the Company complied: ARMC's effectiveness hinges on a number of critical factors, including knowledge, experience, commitment and de facto independence of its members; the ARMC's leadership, the ARMC's dynamics and chemistry; and the ARMC's quality interaction with management and auditors (internal and external). Majority members of the ARMC who have the necessary financial, banking experience, commercial expertise and capital markets skills required to meet their responsibilities and provide an effective level of challenge to management, have relevant financial experience. All the ARMC members receive ongoing training and development as detailed in the "Directors Development" section of the CG Overview Statement on pages 89 and 90.

Intended Outcome 9.0

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives. The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1	The Board should establish an effective risk management and internal control framework.
	How has the Company complied: 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).
Practice 9.2	The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.
	How has the Company complied: 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.
Step Up Practice 9.3	The Board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.
	How has the Company complied: The Audit Committee of the Company was established on 24 March 1994 in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Subsequently, on 6 September 2012, the Audit Committee was renamed as the Audit and Risk Management Committee to reflect its role in risk management. The ARMC members were appointed by the Board from amongst the Independent Non-Executive Directors of the Company and shall consist of not less than three (3) members, a majority of whom are Independent Non-Executive Directors of the Company.

Corporate Governance Report

Intended Outcome 10.0

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

How has the Company complied:

As disclosed on page 76, the ARMC of the Company is responsible for monitoring and reviewing the effectiveness of the Group's Internal Audit function.

The Group has an Internal Audit function to provide the Board and senior management assurance around internal controls. The function is independent of the external auditors and is led by the Group Head of Internal Audit who has a direct reporting line functionally to the ARMC. The role of Internal Audit is to provide objective assurance to the ARMC and the senior management that operations and functions are efficient and effective, and that processes have a robust control environment. The Group Head of Internal Audit attends and reports at each ARMC meeting on reviews conducted during each quarter. The Group Head of Internal Audit attended six (6) ARMC meetings in the FY2017. For further details, please refer to ARMC Report.

Practice 10.2

The Board should disclose:

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

How has the Company complied:

The Group's Internal Audit function reports functionally to the ARMC of the Board. This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned corrective actions, and gives the Internal Audit staff the authority needed for full, free and unrestricted access to all operations, records, property and personnel within the Group. In performing its function, Internal Audit has no direct responsibility or authority over any of the activities it reviews. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment. The activities of the Group's Internal Audit function are guided by Internal Audit Charter and Annual Audit Plan that are approved by the ARMC. The Group IA function is carried out in accordance with The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("IIA") (save for external assessment by a qualified independent assessor or assessment team from outside the Group).

Building up a balanced pool of resources is critical to an effective internal audit function. The Group's Internal Audit ("IA") Department is a dedicated in-house team made up of thirty-nine (39) qualified professionals based in Putrajaya, Sabah and Penang. IA personnel are not related to people who work for or have business relationships with the Group, or have served in some official capacity previously or provided significant services to the Group in the past. The Group Head of IA is an Associate member of the IIA Malaysia and he was graduated with Association of Chartered Certified Accountants and also a Member of the Malaysian Institute of Accountants.

Intended Outcome 11.0

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1 The Board ensures there is effective, transparent and regular communication with its stakeholders.

How has the Company complied:

The Board maintains a dialogue with shareholders, directed towards ensuring a mutual understanding of objectives. Its primary contact, facilitated by the Head of Investor Relations, is through the CEO.

During the financial year, IOI Group had approximately twenty-four (24) meetings with analysts and investors. IOI Group enjoys a relatively high level of coverage and exposure to the investment community, as disclosed in the "integrity in corporate reporting and meaningful relationship with stakeholders" sub-section on page 95.

Practice 11.2 Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

How has the Company complied:

Currently, the Group has yet to adopt an integrated reporting. Executive management acknowledge that an integrated reporting is far more than simply combining a financial report and a sustainability report into a single document.

We believe that a company's integrated reporting journey should be built on the foundational steps. In this aspect, a cross-functional team reporting to the CEO shall be charged with creating an integrated report. A senior executive will lead the integrated reporting team. The Board has set a timeline of three (3) years for the adoption of the integrated reporting.

Intended Outcome 12.0

Shareholders are able to participate, engage the Board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1 Notice for an AGM should be given to the shareholders at least twenty-eight (28) days prior to the meeting.

How has the Company complied:

The last year AGM was held on 28 October 2016 and the Notice convening the AGM was sent to shareholders on 29 September 2016. These periods of notice are "clear" days (that is, they do not include the day of sending the notice and the day of the meeting). In addition to sending the notice, the Company also published the AGM Notice on its website and the information still remains on its website.

Practice 12.2 All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

How has the Company complied:

All Directors were present or attended the most recent AGMs. The Chairmen of the ARMC and GNRC are available at the 2017 AGM to take any relevant questions. All other Directors will attend the 2017 AGM unless illness or another pressing commitment precludes them from attending the AGM.

Corporate Governance Report

Practice 12.3	Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate: • voting including voting in absentia ; and • remote shareholders' participation at General Meeting
	How has the Company complied: As stated in the Constitution of the Company, Notice of AGM together with proxy form and AGM Guide, the Company allows its shareholders to vote in absentia or by proxy, provided that the proxy shall have been appointed by the shareholder himself or by his duly authorised attorney or representative provided further that it is filed at the registered office of the Company for at least 48 hours before the AGM. The Company, through its Polling Agent, ensures that all valid proxy or corporate representative or attorney appointments received are properly recorded and counted. The Chairman announces the electronic poll voting results at the AGM, and the poll results are announced on the same day through Bursa Link service and on www.ioigroup.com. All resolutions at the 2016 AGM were passed without a significant proportion of votes against.

Audit and Risk Management Committee Report

The Board of Directors (the "Board") 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 2017.

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 consist 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

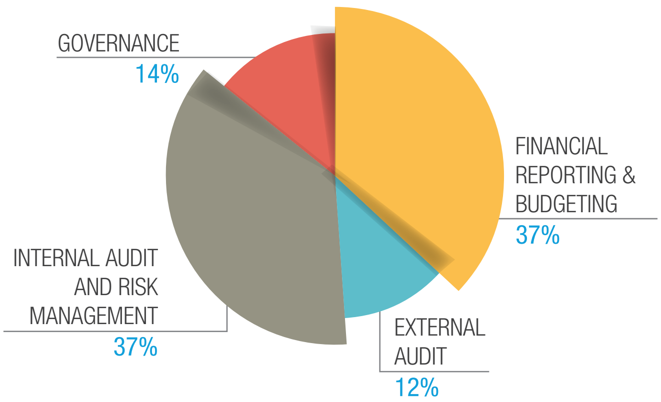
The Committee operates under a written Audit and Risk Management Committee's Terms of Reference containing provisions that address requirements imposed by Bursa Malaysia. That Terms of Reference is posted on the Corporate Governance section of the Company's website at www.ioigroup.com.

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 judgments made by management, significant and unusual events or transactions, and how these matters are addressed

C HOW THE COMMITTEE SPENT ITS TIME DURING THE FINANCIAL YEAR ENDED 30 JUNE 2017 ("FY2017")

The table below provides an overview of how the Committee spent its time in the FY2017:



D 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.

Corporate Governance Report

Audit and Risk Management Committee Report

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 FY2017 are described below:

1. Financial statements and reporting

The Committee maintained its focus during the year on monitoring the integrity of financial reporting and ensuring suitable accounting policies were adopted and applied consistently. 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.

The Committee assessed whether appropriate accounting policies had been adopted throughout the accounting period and whether management had made appropriate estimates and judgements over the recognition, measurement and presentation of the financial results.

In addition to these reporting matters, the Committee also received and considered regular updates from management on the status and implications for the Group of financial reporting developments, including updates on discussions by the Malaysian Accounting Standards Board on the development of the Malaysian Financial Reporting Standards ("MFRS") 9: *Financial Instruments*, MFRS 15: *Revenue From Contracts With Customers* and MFRS 16: *Leases*. The Committee considered compliance with accounting standards and obligations under applicable laws, regulations and Communication Note 1/2017 issued by Bursa Malaysia. There were no new or altered MFRS in the FY2017 that had a material effect on the Group's financial statements.

The Committee also received information on the nature of goodwill on consolidation and property, plant and equipment (inclusive of bearer plant) (collectively, "PPE") in certain loss-making subsidiaries in the Group's financial position. It considered what factors might give rise to an impairment of the Group's PPE and goodwill, and those factors had arisen in the FY2017. The Committee was satisfied that based on the:

(a) cash flow forecast and projection and there was no impairment of the Group's PPE as at 30 June 2017; and

(b) assessment of impairment on goodwill in accordance with MFRS 136: *Impairment of Assets*.

The external auditors have reported that based on the work carried out, they did not identify any material exceptions. For all the above areas, the Committee received input from management and external auditors prior to reaching its conclusion. The Committee was satisfied that management's approach was reasonable in these areas.

Meeting discussions on audit status and significant changes to audit plans, as well as findings on areas of significant external auditors' attention were held during the FY2017. During the meeting, Key Audit Matters ("KAM") of the Group for the FY2017 were presented by the external auditors and the Committee reviewed and agreed that impairment assessment of the carrying amounts of goodwill and accounting for derivatives financial instruments would be considered the KAM, the details of which can be found in the auditors' report, mainly due to:

(a) It was material and involved high degree of estimation uncertainty on the assessment of impairment that requires estimates of future cash flows, growth rates, pre-tax discount rates in determining the recoverable amounts; and

(b) It was material and involved significant judgement and estimates in arriving fair values as subjective variables need to be used in order to determine the fair value in accordance with MFRS 139 *Financial instruments – recognition and measurement*.

With the guidance from the external auditors and management, the Committee also reviewed the paragraph 7 of MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, an asset/disposal group shall be classified as held for sale if the asset/disposal group fulfilled the criteria for the proposed disposal of the edible oils and specialty business, together with the presentation in the financial statements.

As part of the year-end reporting process, the Committee reviewed external auditors' reports on internal controls, 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 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 various analyses from management regarding Group's capital and liquidity prior to recommending to the Board that it could conclude that the financial statements should continue to be prepared on the going-concern basis. The Committee also 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 2017/2018; this takes into account such factors as the results of previous audits, both external and internal, the self-assessment questionnaire, system changes and the views of executive management. The Committee also reviewed the adequacy of the scope, functions, competency and resources of the internal audit function during the year.

The Group's 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.

117 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 by management had been highlighted to the Committee and it was also agreed that management would expedite resolving the outstanding audit issues.

At each meeting, the Committee considered the results of the audits undertaken and considered the adequacy of management's response to matters raised, including time taken to resolve such matters. In these instances, the Committee challenged management as to what actions it was taking to try to minimise the chances of lapses 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 has met one (1) time privately (without management presence) with the Head of Group Internal Audit during the FY2017 in assuring that the mechanisms for corporate accountability are in place and functioning.

The total costs incurred for the internal audit function of the Group for the FY2017 was RM3,848,244 (FY2016: RM3,547,640).The additional increase in cost was mainly due to new office in Sandakan.

4. Risk management

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.

Corporate Governance Report

Audit and Risk Management Committee Report

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.

An 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/Chief Financial Officers ("CFOs") 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 had been identified with 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 113 to 116.

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.

BDO audit partners are present at the Committee meetings to ensure full communication of audit related affairs and they remain fully appraised of all matters considered by the Committee.

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 to ensure they are able to operate effectively and to satisfy ourselves that management are responsive to their findings and recommendations. During the FY2017, the Committee met privately two (2) times with BDO without management present.

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

6. Auditors' re-appointment review

During the FY2017, the Committee assessed the effectiveness of BDO as the external auditors. To assist the assessment, the Committee considered:

- Quality of planning, delivery and execution of the audit
- Quality and knowledge of the audit team
- Effectiveness of communications between management and the audit team
- Robustness of the audit, including the audit's team's ability to challenge management as well as demonstrate professional scepticism and independence

(i) Auditor's effectiveness

The Committee considered the quality of reports from BDO and the additional insights provided by the audit team, particularly at partner level. The Committee also considered how well the auditors assessed key accounting and audit judgements and the way they applied constructive challenge and professional skepticism in dealing with management.

The Committee met with management, including without the auditors present, to hear their views on the effectiveness of the external auditors. Following the review, 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). Pursuant to BDO firm policy, the audit engagement partner can be re-appointed subsequent to a cooling-off period of two (2) years. To ensure objectivity, the rotation of audit partners' responsibilities within BDO has taken place. The current audit engagement partner who had retired by rotation in 2013 had been re-appointed in 2017. 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 FY2017 is set out in Note 10 to 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 approximately 45% of the total audit fees on a group basis payable to BDO and affiliates) and the Committee concluded that the auditors' independence from the Group was not compromised as the non-audit fees were mainly derived from the tax compliance and advisory services.

(iv) Audit fees

The Committee was satisfied that the level of audit fees (on a group basis) payable in respect of the audit services provided by BDO Malaysia (being RM1,016,265 for the FY2017) [FY2016: RM956,500] was appropriate and that an effective audit could be conducted for such a fee. The existing authority for the Committee to determine the current remuneration of the external auditors (i.e. BDO Malaysia) is derived from the shareholders' approval granted at the Company's Annual General Meeting ("AGM") in 2016.

Recommendation to re-appointment

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

Corporate Governance Report

Audit and Risk Management Committee Report

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 for the purpose of preparing the 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.

(v) Reviewed the materiality sustainability matters of the Group for sustainability purpose.

(vi) Status update on RSPO compliance and field verification matters.

(vii) Status update on the recruitment of CFO.

E ATTENDANCE

Number of Meetings and Details of Attendance

Seven (7) meetings were held during the FY2017. 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	6
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	3
Tan Sri Peter Chin Fah Kui	3	3
Cheah Tek Kuang	3	3

F ANNUAL REVIEW AND PERFORMANCE EVALUATION

The last review of the Terms of Reference of the Committee was carried out in FY2016. 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.

Looking ahead to 2018

In addition to our routine business, the Committee has four (4) focus areas for 2018. We will review:

- The progress of the project for MFRSs 9, 15 and 16 implementation & assessment
- RSPO compliance progress update
- Group IT Roadmap/Digitisation
- And discuss independent external assessment of Group's internal audit function

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.

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. The internal audit services are performed in accordance with the IIA's International Standards For The Professional Practice Of Internal Auditing.

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.

Corporate Governance Report

Statement on Risk Management and Internal Control

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.

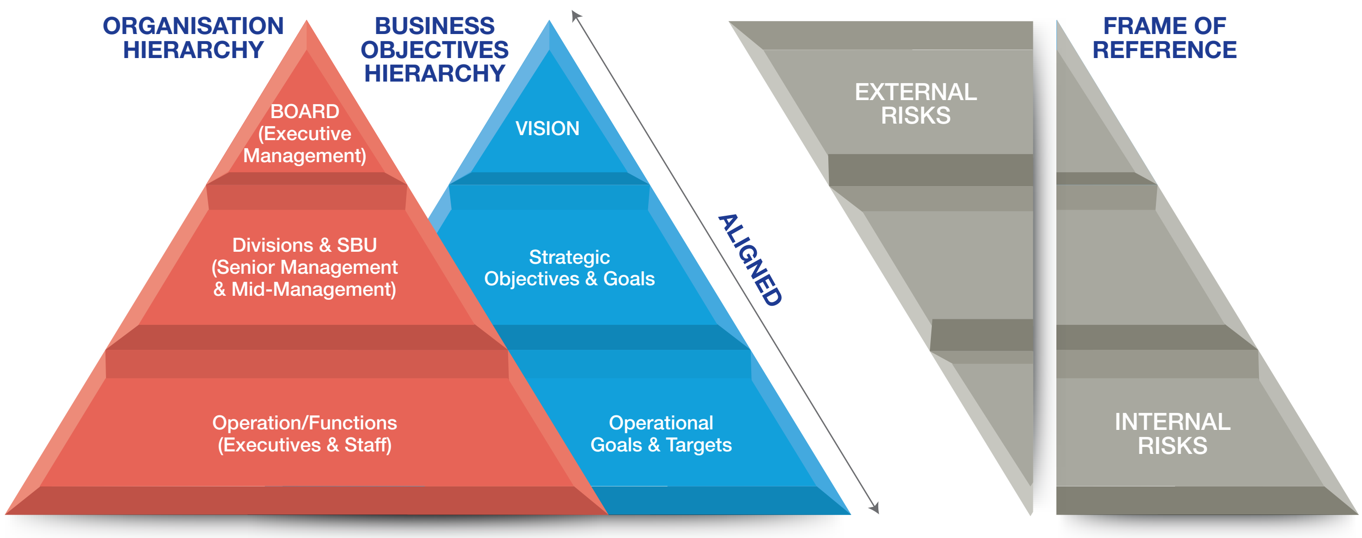
The Board conducts periodic reviews on the adequacy and integrity of the Group's ERM framework and policies, particularly in relation to the mechanisms for risk assessment (principal risks identification, evaluation and treatment), communication and monitoring and review.

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 supply chain, production, marketing and distribution, safety, health and environment, sustainability and compliance with laws and regulations and various certifications and quality accreditations 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 enterprise resource planning system, treasury management, 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 39 to the financial statements on pages 192 to 221.

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 and quality accreditations including Roundtable on Sustainable Palm Oil ("RSPO") and International Sustainability and Carbon Certification ("ISCC") certifications and ISO 9001:2000 and HACCP quality accreditations.

The compliance with laws and regulations and various certifications and quality accreditations is decentralised in that it is managed and monitored at the respective business unit level. The Group Legal Department provides legal advisory and litigation support as well as assists in the preparation and review of any legal documentations.

iv) Sustainability

The Group has in place a sustainability governance structure comprising of Group Sustainability Steering Committee chaired by the CEO, Group Sustainability Team and Operating Divisions Sustainability Team. An independent Sustainability Advisory Panel has also been formed recently to provide external oversight of the Group's sustainability commitments and advice on sustainability-related matters.

The Group's commitment to sustainability is set out in the Sustainable Palm Oil Policy. The implementation of the sustainability commitments is put into practice through the Sustainability Implementation Plan. Stakeholders are updated with the quarterly progress report on the Group's Sustainability Implementation Plan and regular updates of the sustainability metrics through the Palm Oil Dashboard which are available on IOI Group's website. The Group has also established a grievance mechanism to provide a formal channel for the affected stakeholders to raise their grievances.

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 of authority 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.

Corporate Governance Report

Statement on Risk Management and Internal Control

- 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.

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 both internal and external 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.
- Carried out gap analysis 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 risk review includes the operating units' Internal Control Certification and Assessment Disclosure and the Questionnaire on Control and Regulation.

The bi-annual risk reviews compiled by the respective units' Risk Management Committees were presented to the ARMC and Board.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors, 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 2017. 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 Deputy Group Financial Controller 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 12 September 2017.

Statement of Directors' Interests

In the Company and its Related Corporations as at 28 August 2017 (Based on the Register of Directors' Shareholdings)

Name of Directors	Direct	%	Indirect	%
THE COMPANY				
No. of ordinary shares				
Tan Sri Dato' Lee Shin Cheng	67,086,100	1.07	2,980,486,880[1]	47.43
Dato' Lee Yeow Chor	9,000,400	0.14	2,963,403,380[2]	47.16
Lee Cheng Leang	400,000	0.01	–	–
Lee Yeow Seng	4,180,400	0.07	2,963,308,380[3]	47.16
Tan Sri Peter Chin Fah Kui	–	–	20,000[4]	*
Tan Sri Dr Rahamat Bivi binti Yusoff	–	–	–	–
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 sons, Dato' Lee Yeow Chor and Lee Yeow Seng under Section 8 of the Companies Act 2016 (the "Act") and also interest in shares of his daughters, Lee Yoke Ling, Lee Yoke Har, Lee Yoke Hean and Lee Yoke Hui under Section 59(11)(c) of the Act.*

2 *Deemed interested by virtue of his interest in PH, which in turn holds 100% equity interest in VC under Section 8 of the Act and also interest in share of his spouse, Datin Joanne Wong Su-Ching under Section 59(11)(c) of the Act.*

3 *Deemed interested by virtue of his interest in PH, which in turn holds 100% equity interest in VC under Section 8 of the Act.*

4 *Deemed interested by virtue of the interest in shares of his spouse, Puan Sri Ruby Wee Hui Kiang pursuant to Section 59(11)(c) of the Act.*

5 *Deemed interested by virtue of the interest in shares of his spouse, Ooi Siew Cheng pursuant to Section 59(11)(c) of the Act.*

* *Negligible*

Other Information

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 2017 or entered into since the end of the previous financial year.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

An ESOS was established on 28 January 2016 for the benefit of the eligible employees and Executives Directors of IOI Corporation Berhad ("IOIC") Group.

On 12 October 2016, the Company offered a total of 19,537,500 share options at an option price of RM4.42 to the eligible persons of IOIC Group in accordance with the By-Laws of the ESOS. A total of 18,772,500 share options were accepted by the eligible persons.

The total number of share options granted to and accepted by the Executive Chairman, Chief Executive Officer ("CEO") and Executive Director under the ESOS as at 30 June 2017 are set out in the table below:

	Number of Share Options as at 30 June 2017	
Description	**Total**	**Executive Chairman, CEO and Executive Director**
Total options accepted	18,772,500	3,980,000
Lapsed^	(537,500)	N/A
Total outstanding options	**18,235,000**	**3,980,000**

^ *Due to resignation of employees.*

As at 30 June 2017, none of the ESOS had been exercised.

Percentage of share options applicable to the Directors and senior management under the ESOS are as follows:

Directors and Senior Management	During the Financial Year 2017* (%)	Since Commencement of the ESOS up to 30 June 2017* (%)
Aggregate maximum allocation	0.16	0.16
Actual granted and accepted	0.12	0.12

* *Based on the total number of shares with voting rights of 6,283,859,995 as at 30 June 2017.*

The Company did not grant any options over the ordinary share pursuant to the ESOS to the Non-Executive Directors.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

Recurrent related party transactions of a revenue nature of IOIC Group conducted pursuant to shareholders' mandate for the financial year ended 30 June 2017 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)]	10.7
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)]	16.6

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

Other Information

[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

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 2017.

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 42 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
Continuing operations		
Profit before taxation	1,087.2	669.7
Taxation	(331.5)	(0.8)
Profit for the financial year from continuing operations	755.7	668.9
Discontinued operations		
Profit for the financial year from discontinued operations, net of tax	10.4	–
Profit for the financial year	766.1	668.9
Attributable to:		
Owners of the parent	743.2	668.9
Non-controlling interests	22.9	–
	766.1	668.9

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 2016	
Second interim single tier dividend of 4.5 sen per ordinary share, paid on 23 September 2016	283.0
In respect of the financial year ended 30 June 2017	
First interim single tier dividend of 4.5 sen per ordinary share, paid on 16 March 2017	282.9
	565.9

The Directors declared a second interim single tier dividend of 5.0 sen per ordinary share, amounting to RM314.2 million in respect of the financial year ended 30 June 2017. The dividend is payable on 15 September 2017 to shareholders whose names appeared in the Record of Depositors and Register of Members of the Company at the close of business on 28 August 2017.

No final dividend has been recommended by the Directors for the financial year ended 30 June 2017.

ISSUE OF SHARES AND DEBENTURES

There was no issue of any new shares or 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 28 October 2016.

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 4,347,000 ordinary shares of its issued shares from the open market. The average price paid for the ordinary shares repurchased was RM4.60 per ordinary share. The repurchase transactions were financed by internally generated funds. The ordinary shares repurchased were held as treasury shares and treated in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

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. On 29 June 2017, the Company cancelled all its accumulated 177,956,200 treasury shares with carrying amount of RM783.4 million or at an average price of RM4.40 per ordinary share. The share capital cancelled was transferred to retained earnings in accordance with the requirement of Section 127(13) of the Companies Act 2016 in Malaysia.

At the end of the financial year, there were no treasury shares held by the Company.

Details of the treasury shares are set out in Note 30.2 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme ("ESOS") was established on 28 January 2016 for the benefit of the eligible employees and Executives Directors of the Group.

On 12 October 2016, the Company offered a total of 19,537,500 share options at an option price of RM4.42 per ordinary share to the Eligible Persons (as defined below) of the Group in accordance with the By-Laws of the ESOS out of which 18,772,500 share options were accepted by the Eligible Persons.

The salient features of the ESOS are as follows:

a) Maximum number of shares available under the ESOS

The maximum number of new ordinary shares in the Company ("IOI Shares"), which may be granted under the 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 ESOS.

b) Eligibility

Employee of the Group

Subject to the discretion of the committee appointed by the Board to administer the ESOS ("ESOS Committee"), any employee of the Group shall be eligible to participate in the 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.

Directors' Report

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 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 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 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 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 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 ESOS; or

ii. the par value of the IOI Shares of RM0.10 each, provided however that this provision shall cease to apply if due to a change in law, no par value is legally required to be ascribed to the share capital of the Company under the applicable law then in effect.

and subject to any adjustments stipulated in the By-Laws, where applicable.

Notwithstanding to the above, with the implementation of the Companies Act 2016 in Malaysia effective from 31 January 2017, the concept of par value of share capital had been abolished. Therefore, the par value of the shares of the Company as one of the exercise price determinant is to be disregarded.

EXECUTIVE SHARE OPTION SCHEME (continued)

e) Duration and termination of the ESOS

i. The ESOS came into force on 28 January 2016 ("Effective Date") and shall be for a duration of five (5) years.

ii. The 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 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 ESOS, the date of termination of the 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.

The movements of the options over the unissued ordinary shares in the Company granted under the ESOS during the financial year were as follows:

		No. of options over ordinary shares				
Option price *RM*	**Date of offer**	**As at 1 July 2016**	**Granted and accepted**	**Exercised**	**Lapsed***	**As at 30 June 2017**
4.42	12 October 2016	–	18,772,500	–	(537,500)	18,235,000
		–	18,772,500	–	(537,500)	18,235,000

* *Due to resignation/retirement of employees as at 30 June 2017.*

RESERVES AND PROVISIONS

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

Directors' Report

DIRECTORS

The Directors who have held office during the financial year until the date of this report are as follows:

IOI Corporation Berhad

Tan Sri Dato' Lee Shin Cheng
Dato' Lee Yeow Chor
Lee Cheng Leang
Lee Yeow Seng
Tan Sri Peter Chin Fah Kui
Tan Sri Dr Rahamat Bivi Binti Yusoff (appointed on 15 August 2017)
Datuk Karownakaran @ Karunakaran a/l Ramasamy
Cheah Tek Kuang
Lim Tuang Ooi

In accordance with Article 101 of the Company's Constitution, Lee Cheng Leang and Lee Yeow Seng retire by rotation at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election.

In accordance with Article 102 of the Company's Constitution, Tan Sri Dr Rahamat Bivi Binti Yusoff retires by casual vacancy at the forthcoming AGM and being eligible, offers herself for re-election.

The tenure of Tan Sri Dato' Lee Shin Cheng and Tan Sri Peter Chin Fah Kui who had been re-appointed as Directors at the previous AGM under Section 129(6) of the Companies Act, 1965 will expire at the conclusion of the forthcoming AGM. The Directors recommend that they shall be re-appointed as the Directors of the Company and shall continue in office until otherwise resolved by the Board of Directors 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 59 of the Companies Act 2016 in Malaysia are as follows:

	No. of ordinary shares			
	As at 1 July 2016	Acquired	Disposed	As at 30 June 2017
Direct interests				
The Company				
Tan Sri Dato' Lee Shin Cheng	67,086,100	–	–	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				
Tan Sri Dato' Lee Shin Cheng	2,976,856,880	3,630,000	–	2,980,486,880
Dato' Lee Yeow Chor	2,959,773,380	3,630,000	–	2,963,403,380
Lee Yeow Seng	2,959,678,380	3,630,000	–	2,963,308,380
Tan Sri Peter Chin Fah Kui	20,000	–	–	20,000
Cheah Tek Kuang	12,000	–	–	12,000

DIRECTORS' INTERESTS (continued)

The movements of the options over the unissued ordinary shares in the Company granted under the ESOS to the Directors in office at the end of the financial year are as follows:

	Option Price *RM*	No. of options over ordinary shares As at 1 July 2016	Granted and accepted	Exercised	As at 30 June 2017
Direct interests					
Tan Sri Dato' Lee Shin Cheng	4.42	–	1,950,000	–	1,950,000
Dato' Lee Yeow Chor	4.42	–	1,550,000	–	1,550,000
Lee Cheng Leang	4.42	–	480,000	–	480,000
Indirect interest					
Tan Sri Dato' Lee Shin Cheng	4.42	–	1,775,000	–	1,775,000

By virtue of Section 8(4) of the Companies Act 2016 in Malaysia, Tan Sri Dato' Lee Shin Cheng, Dato' Lee Yeow Chor and Lee Yeow Seng 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.

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 37 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.

DIRECTORS' REMUNERATION

Details of Directors' remuneration as required by the Fifth Schedule of the Companies Act 2016 in Malaysia are set out in Note 37.3 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Company for the financial year 2017 was RM50,599.

Directors' Report

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS OF THE GROUP AND OF THE COMPANY

Before the financial statements of the Group and of the Company were prepared, 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;

ii. which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

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; and

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.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

Tan Sri Dato' Lee Shin Cheng
Dato' Lee Yeow Chor
Lee Cheng Leang
Lee Yeow Seng
Abena Ntrakwah Mensah
Ahmed Mohamed Abdel Moneim Mohamed Abdel Gelil
Ben Verkaik
Chan Fong Ann
Dato' Foong Hong Meng @ Foong Lai Choong^
Datu Dr Hj Sulaiman bin Husaini^
Datu Sajeli bin Kipli
Datuk (Datu) Basrun bin Datu Mansor
Datuk Seri Panglima Haji Abdul Rahim Ismail
Eng Hong Ai
Gurdev Singh a/l Darshan Singh
Hans Marcel Omvlee
Ho Koon Foong
Holger Riemensperger
Jazuli Wilaksono bin Sunarto
Julian David Veitch
Joseph N Emuang JR
Koo Ping Wei
Lai Choon Wah
Lawrence Lee Beng Teck
Lee Beng Hong
Lee Beng Kiong
Lee Yoke Hean
Lim Eik Hoy
Lim Jit Uei (Lin Riwei)
Manuel Antonio Ismael Laborde Barriga
Michael Martin Roger van Sallandt#
Michael Paul Molenkamp
Mohamed Mostafa Hassan Ahmed
Peter Lauenborg From
Ronaldus Johannes Titus Imming
Sebastian Anak Baya
Sudhakaran a/l Nottath Bhaskaran
Susan Holzner
Tan Kean Hua
Tan Keng Seng
Tan Sri Dato'Sri Koh Kin Lip
Teah Chin Guan @ Teh Chin Guan
Thomas Louis Francois Favre^
Vincent Martijn Geerts
William Martin Troy
Wong Tack Wee^
Wong Yin Ling

^ *Resigned during the financial year.*

Resigned after the financial year but before the date of this report.

Directors' Report

DIFFERENT FINANCIAL YEAR END OF SUBSIDIARIES

Due to local requirements of the following five (5) indirect subsidiaries of the Company, the said foreign subsidiaries are adopting 31 December as their statutory financial year end, which do not coincide with that of the Company. The Directors of the Company and IOI Oleochemical Industries Berhad have been granted approvals under Section 247(3) of the Companies Act 2016 in Malaysia by the Companies Commission of Malaysia for the following subsidiaries to have different financial year end from that of the Company for the financial year ended 30 June 2017:

i. IOI (Xiamen) Edible Oils Co., Ltd;

ii. Loders Croklaan (Shanghai) Trading Co. Ltd;

iii. Loders Croklaan Latin America Comercio De Gorduras e Oleos Vegetais Ltda;

iv. Loders Croklaan Burkina Faso S.A.R.L.; and

v. Tianjin Palmco Oil And Fats Co. Ltd.

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

GOVERNANCE, NOMINATING AND REMUNERATION COMMITTEE

The Directors who serve as members of the Governance, Nominating and Remuneration Committee as at the date of this report are as follows:

Tan Sri Peter Chin Fah Kui (Chairman)
Tan Sri Dr Rahamat Bivi Binti Yusoff
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.

Details of Auditors' remuneration are set out in Note 10 to the financial statements.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Lee Yeow Chor
Chief Executive Officer

Putrajaya
13 September 2017

Statements of Profit or Loss

For The Financial Year Ended 30 June 2017

In RM million	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Continuing operations					
Revenue	5	**14,127.3**	11,739.3	**959.2**	862.9
Cost of sales		**(11,691.6)**	(9,346.9)	**(5.2)**	(3.4)
Gross profit		**2,435.7**	2,392.4	**954.0**	859.5
Other operating income	6	**727.6**	512.5	**108.4**	82.4
Marketing and selling expenses		**(258.1)**	(287.1)	**–**	–
Administration expenses		**(539.1)**	(449.5)	**(43.2)**	(33.8)
Other operating expenses	7	**(943.2)**	(813.2)	**(93.7)**	(78.4)
Operating profit		**1,422.9**	1,355.1	**925.5**	829.7
Share of results of associates		**140.7**	99.7	**–**	–
Share of results of joint ventures		**(3.4)**	(5.2)	**–**	–
Profit before interest and taxation		**1,560.2**	1,449.6	**925.5**	829.7
Interest income	8	**39.1**	53.3	**46.6**	48.1
Finance costs	9	**(213.3)**	(218.6)	**(138.6)**	(139.9)
Net foreign currency translation loss on foreign currency denominated borrowings		**(298.8)**	(318.5)	**(163.8)**	(112.7)
Profit before taxation	10	**1,087.2**	965.8	**669.7**	625.2
Taxation	11	**(331.5)**	(319.5)	**(0.8)**	(3.0)
Profit for the financial year from continuing operations		**755.7**	646.3	**668.9**	622.2
Discontinued operations					
Profit for the financial year from discontinued operations, net of tax	12	**10.4**	–	**–**	–
Profit for the financial year		**766.1**	646.3	**668.9**	622.2
Attributable to owners of the parent					
From continuing operations		**732.8**	629.7	**668.9**	622.2
From discontinued operations		**10.4**	–	**–**	–
		743.2	629.7	**668.9**	622.2
Attributable to non-controlling interests		**22.9**	16.6	**–**	–
		766.1	646.3	**668.9**	622.2

The notes on pages 144 to 235 form an integral part of the financial statements.

In sen	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Earnings per ordinary share attributable to owners of the parent	13				
Basic earnings per share					
From continuing operations		**11.65**	9.99		
From discontinued operations		**0.17**	–		
		11.82	9.99		
Diluted earnings per share					
From continuing operations		**11.65**	9.99		
From discontinued operations		**0.17**	–		
		11.82	9.99		
Gross dividend per ordinary share	14				
First interim single tier dividend		**4.5**	3.5	**4.5**	3.5
Second interim single tier dividend		**5.0**	4.5	**5.0**	4.5
Total		**9.5**	8.0	**9.5**	8.0

The notes on pages 144 to 235 form an integral part of the financial statements.

Statements of Comprehensive Income

For The Financial Year Ended 30 June 2017

In RM million	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Profit for the financial year	**766.1**	646.3	**668.9**	622.2
Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss				
Share of other comprehensive (loss)/income of associates	**(6.0)**	1.8	**–**	–
Share of reserves of associates arising from changes in accounting estimates	**41.8**	–	**–**	–
Remeasurements of the defined benefit obligations	**4.4**	(1.4)	**–**	–
	40.2	0.4	**–**	–
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	**100.8**	60.5	**–**	–
Share of other comprehensive income of associates	**3.9**	16.3	**–**	–
Hedge of net investments in foreign operations	**(4.9)**	(0.7)	**–**	–
	99.8	76.1	**–**	–
Other comprehensive income for the financial year, net of tax	**140.0**	76.5	**–**	–
Total comprehensive income for the financial year	**906.1**	722.8	**668.9**	622.2
Total comprehensive income attributable to:				
Owners of the parent	**886.1**	709.4	**668.9**	622.2
Non-controlling interests	**20.0**	13.4	**–**	–
	906.1	722.8	**668.9**	622.2

The notes on pages 144 to 235 form an integral part of the financial statements.

Statements of Financial Position

As At 30 June 2017

In RM million	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
ASSETS					
Non-current assets					
Property, plant and equipment	15	**10,086.9**	9,985.1	**88.2**	89.8
Intangible assets	16	**522.1**	521.7	**–**	–
Investments in subsidiaries	17	**–**	–	**8,025.9**	7,763.8
Amounts due from subsidiaries	17	**–**	–	**496.3**	–
Investments in associates	18	**1,121.1**	937.5	**20.4**	20.4
Derivative assets	19	**140.6**	148.3	**0.7**	2.2
Deferred tax assets	20	**52.0**	38.0	**–**	–
Other non-current assets	21	**67.0**	59.7	**49.9**	43.7
		11,989.7	11,690.3	**8,681.4**	7,919.9
Current assets					
Inventories	22	**2,707.7**	2,284.4	**–**	–
Trade and other receivables	23	**1,560.6**	1,191.2	**20.6**	20.3
Amounts due from subsidiaries	17	**–**	–	**418.0**	845.7
Derivative assets	19	**56.4**	232.9	**–**	–
Other investments	24	**103.6**	104.2	**4.0**	4.1
Other current assets	25	**84.6**	100.7	**7.6**	40.3
Short term funds	26	**680.4**	1,120.1	**–**	–
Deposits with financial institutions	27	**156.6**	248.7	**–**	128.6
Cash and bank balances		**685.1**	569.4	**42.6**	115.2
		6,035.0	5,851.6	**492.8**	1,154.2
Assets of disposal group held for sale	28	**–**	14.2	**–**	–
TOTAL ASSETS		**18,024.7**	17,556.1	**9,174.2**	9,074.1

The notes on pages 144 to 235 form an integral part of the financial statements.

Statements of Financial Position

As At 30 June 2017

In RM million	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	29	**783.8**	646.2	**783.8**	646.2
Reserves	30	**38.4**	(703.0)	**19.1**	(625.8)
Retained earnings		**6,635.2**	7,194.9	**4,255.3**	4,935.7
		7,457.4	7,138.1	**5,058.2**	4,956.1
Non-controlling interests		**261.3**	278.9	**–**	–
Total equity		**7,718.7**	7,417.0	**5,058.2**	4,956.1
Liabilities					
Non-current liabilities					
Borrowings	31	**5,267.7**	4,902.9	**944.0**	1,364.7
Amounts due to subsidiaries	17	**–**	–	**785.1**	601.1
Derivative liabilities	19	**23.2**	13.3	**23.2**	13.3
Deferred tax liabilities	20	**1,309.9**	1,334.2	**3.7**	3.9
Other non-current liabilities	32	**65.6**	64.3	**–**	–
		6,666.4	6,314.7	**1,756.0**	1,983.0
Current liabilities					
Borrowings	31	**2,076.1**	2,478.3	**1,369.6**	799.2
Trade and other payables	33	**1,388.8**	1,129.5	**34.0**	32.9
Amounts due to subsidiaries	17	**–**	–	**954.6**	1,302.9
Derivative liabilities	19	**91.8**	94.5	**1.8**	–
Other current liabilities	34	**82.9**	122.1	**–**	–
		3,639.6	3,824.4	**2,360.0**	2,135.0
Total liabilities		**10,306.0**	10,139.1	**4,116.0**	4,118.0
TOTAL EQUITY AND LIABILITIES		**18,024.7**	17,556.1	**9,174.2**	9,074.1

The notes on pages 144 to 235 form an integral part of the financial statements.

Statements of Changes in Equity

For The Financial Year Ended 30 June 2017

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
	Non-distributable							Distributable			
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
Remeasurements of the defined benefit obligations	–	–	–	–	–	–	–	(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 income/(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 30.2)	–	–	–	–	–	–	(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 144 to 235 form an integral part of the financial statements.

Statements of Changes in Equity

For The Financial Year Ended 30 June 2017

	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 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**
Profit for the financial year	–	–	–	–	–	–	–	743.2	743.2	22.9	766.1
Remeasurements of the defined benefit obligations	–	–	–	–	–	–	–	4.4	4.4	–	4.4
Exchange differences on translation of foreign operations	–	–	–	–	–	103.7	–	–	103.7	(2.9)	100.8
Share of other comprehensive (loss)/income of associates	–	–	–	(6.2)	–	3.9	–	0.2	(2.1)	–	(2.1)
Share of reserves of associates arising from changes in accounting estimates	–	–	–	–	–	–	–	41.8	41.8	–	41.8
Hedge of net investments in foreign operations	–	–	–	–	(4.9)	–	–	–	(4.9)	–	(4.9)
Total comprehensive (loss)/income	–	–	–	(6.2)	(4.9)	107.6	–	789.6	886.1	20.0	906.1
Transactions with owners											
Recognition of share options expenses (Note 29.1)	–	–	19.1	–	–	–	–	–	19.1	–	19.1
Repurchase of shares (Note 30.2)	–	–	–	–	–	–	(20.0)	–	(20.0)	–	(20.0)
Dividends paid in respect of current financial year (Note 14)	–	–	–	–	–	–	–	(282.9)	(282.9)	–	(282.9)
Dividends paid in respect of previous financial year (Note 14)	–	–	–	–	–	–	–	(283.0)	(283.0)	–	(283.0)
Transfers pursuant to Companies Act 2016 (Note 29)	137.6	(73.3)	(64.3)	–	–	–	–	–	–	–	–

The notes on pages 144 to 235 form an integral part of the financial statements.

		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
Transactions with owners (continued)											
Cancellation of treasury shares (Note 30.2)	–	–	–	–	–	–	**783.4**	**(783.4)**	–	–	–
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	–	–	**0.3**	**0.3**
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	**(37.9)**	**(37.9)**
As at 30 June 2017	**783.8**	–	**26.8**	**(7.9)**	**(5.6)**	**25.1**	–	**6,635.2**	**7,457.4**	**261.3**	**7,718.7**

Statements of Changes in Equity

For The Financial Year Ended 30 June 2017

		Non-distributable			Distributable	
In RM million	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total equity
Company						
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 30.2)	–	–	–	(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
As at 1 July 2016	**646.2**	**73.3**	**64.3**	**(763.4)**	**4,935.7**	**4,956.1**
Profit for the financial year	**–**	**–**	**–**	**–**	**668.9**	**668.9**
Total comprehensive income	**–**	**–**	**–**	**–**	**668.9**	**668.9**
Transactions with owners						
Recognition of share option expenses (Note 29.1)	**–**	**–**	**19.1**	**–**	**–**	**19.1**
Repurchase of shares (Note 30.2)	**–**	**–**	**–**	**(20.0)**	**–**	**(20.0)**
Dividends paid in respect of current financial year (Note 14)	**–**	**–**	**–**	**–**	**(282.9)**	**(282.9)**
Dividends paid in respect of previous financial year (Note 14)	**–**	**–**	**–**	**–**	**(283.0)**	**(283.0)**
Transfers pursuant to Companies Act 2016 (Note 29)	**137.6**	**(73.3)**	**(64.3)**	**–**	**–**	**–**
Cancellation of treasury shares (Note 30.2)	**–**	**–**	**–**	**783.4**	**(783.4)**	**–**
As at 30 June 2017	**783.8**	**–**	**19.1**	**–**	**4,255.3**	**5,058.2**

The notes on pages 144 to 235 form an integral part of the financial statements.

Statements of Cash Flows

For The Financial Year Ended 30 June 2017

In RM million	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Cash Flows From Operating Activities					
Profit before taxation					
From continuing operations		**1,087.2**	965.8	**669.7**	625.2
From discontinued operations		**10.8**	–	**–**	–
		1,098.0	965.8	**669.7**	625.2
Adjustments for:					
Depreciation of property, plant and equipment	15	**474.7**	457.8	**1.7**	1.4
Net foreign currency translation loss on foreign currency denominated borrowings		**298.8**	318.5	**163.8**	112.7
Finance costs	9	**213.3**	218.6	**138.6**	139.9
Net fair value loss/(gain) on derivative financial instruments		**70.0**	(120.6)	**–**	–
Share option expenses		**19.1**	–	**3.6**	–
Property, plant and equipment written off	10	**15.5**	24.5	**–**	–
Retirement benefits expenses	32.1	**5.4**	32.1	**–**	–
Amortisation of intangible assets		**4.6**	1.6	**–**	–
Loss on liquidation of subsidiaries		**4.4**	–	**10.1**	–
Share of results of joint ventures		**3.4**	5.2	**–**	–
Impairment losses on receivables	23.1	**0.4**	2.9	**–**	–
Net fair value loss/(gain) on other investments		**0.4**	2.8	**(0.4)**	(0.3)
Amortisation of prepaid lease payments		**0.4**	0.2	**–**	–
Net inventories (written back)/written down to net realisable values		**(0.5)**	11.9	**–**	–
(Gain)/loss arising from acquisition of interest in an associate		**(1.6)**	5.3	**–**	–
Impairment losses on receivables written back	23.1	**(2.9)**	(0.3)	**–**	–
Net (gain)/loss on disposal of property, plant and equipment		**(3.2)**	(0.2)	**–**	0.2
Dividend income from other investments		**(3.2)**	(3.0)	**(0.1)**	(0.1)
Gain on disposal of assets held for sales		**(10.8)**	–	**–**	–
Net (gain)/loss arising from changes in fair value of biological assets	25.1	**(11.6)**	4.4	**–**	–
Net unrealised foreign currency translation (gain)/loss		**(27.7)**	61.3	**(28.5)**	20.6
Interest income	8	**(39.1)**	(53.3)	**(46.6)**	(48.1)
Share of results of associates		**(140.7)**	(99.7)	**–**	–
Depreciation of investment properties		**–**	0.1	**–**	–
Reversal of impairment loss on investment in subsidiary		**–**	–	**(4.3)**	–
Dividend income from subsidiaries		**–**	–	**(918.1)**	(804.7)
Operating profit/(loss) before working capital changes		**1,967.1**	1,835.9	**(10.5)**	46.8

The notes on pages 144 to 235 form an integral part of the financial statements.

Statements of Cash Flows

For The Financial Year Ended 30 June 2017

In RM million	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Cash Flows From Operating Activities (continued)					
Operating profit/(loss) before working capital changes		**1,967.1**	1,835.9	**(10.5)**	46.8
Increase in trade payables		**206.6**	270.8	**–**	–
Increase/(decrease) in other payables and accruals		**1.7**	(46.6)	**1.1**	7.4
Increase in other receivables, deposits and prepayments		**(61.5)**	(67.2)	**(0.3)**	(4.9)
Increase in trade receivables		**(199.7)**	(19.4)	**–**	–
Increase in inventories		**(298.7)**	(8.7)	**–**	–
Cash generated from/(used in) operations		**1,615.5**	1,964.8	**(9.7)**	49.3
Tax refunded		**39.8**	11.5	**34.6**	3.1
Retirement benefits paid	32.1	**(1.9)**	(0.8)	**–**	–
Tax paid		**(365.7)**	(316.8)	**(2.9)**	(3.0)
Retirement benefits contributed	32.1	**–**	(26.7)	**–**	–
Net cash from operating activities		**1,287.7**	1,632.0	**22.0**	49.4
Cash Flows From Investing Activities					
Interest received		**33.8**	52.0	**1.8**	2.6
Dividends received from associates		**29.3**	33.4	**–**	–
Proceeds from disposal of asset held for sales		**25.0**	–	**–**	–
Proceeds from disposal of property, plant and equipment		**5.4**	5.8	**–**	0.5
Dividends received from other investments		**3.2**	3.0	**0.1**	0.1
Proceeds from disposal of other investments		**0.5**	0.3	**0.5**	0.4
Additions to prepaid lease payments		**(3.8)**	(14.8)	**–**	–
Advances to a joint venture		**(6.0)**	–	**(6.0)**	–
Additions to property, plant and equipment	15	**(497.9)**	(458.6)	**(0.1)**	(2.5)
Acquisition of additional interest in a subsidiary		**–**	(1.2)	**–**	(1.2)
Addition to associates		**–**	(10.7)	**–**	–
Acquisition of oleochemical business, net of cash and cash equivalents acquired	35.2	**–**	(412.4)	**–**	–
Dividends received from subsidiaries		**–**	–	**918.1**	804.7
Redemption of preference shares		**–**	–	**1.2**	0.6
Investment in subsidiaries		**–**	–	**(128.0)**	(77.5)
Payments to subsidiaries		**–**	–	**(383.4)**	(54.5)
Net cash (used in)/from investing activities		**(410.5)**	(803.2)	**404.2**	673.2

The notes on pages 144 to 235 form an integral part of the financial statements.

In RM million	Note	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
Cash Flows From Financing Activities					
Drawdown of term loans		**1,086.9**	327.7	**474.8**	–
Net drawdown of short term borrowings		**104.0**	53.4	**–**	74.4
Proceeds from issuance of shares to non-controlling interest		**0.3**	–	**–**	–
Repurchase of shares	30.2	**(20.0)**	(143.2)	**(20.0)**	(143.2)
Dividends paid to non-controlling interests		**(37.9)**	(7.4)	**–**	–
Repayment to non-controlling interest, which is also an associate of the Group		**(81.4)**	–	**–**	–
Finance costs paid		**(219.7)**	(217.4)	**(47.1)**	(42.8)
Dividends paid	14	**(565.9)**	(504.1)	**(565.9)**	(504.1)
Repayments of term loans		**(1,574.7)**	(194.8)	**(476.8)**	–
Proceeds from issuance of shares arising from exercise of share options		**–**	7.0	**–**	7.0
Net cash used in financing activities		**(1,308.4)**	(678.8)	**(635.0)**	(608.7)
Net (decrease)/ increase in cash and cash equivalents		**(431.2)**	150.0	**(208.8)**	113.9
Cash and cash equivalents at beginning of financial year		**1,938.2**	1,788.5	**243.8**	129.9
Effect of exchange rate changes		**15.1**	(0.3)	**7.6**	–
Cash and cash equivalents at end of financial year	36	**1,522.1**	1,938.2	**42.6**	243.8

The notes on pages 144 to 235 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 42 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

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 2016 in Malaysia.

Notwithstanding the above, Note 44 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.

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 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.

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

3.1 New MFRSs adopted during the current financial year

Title

MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to MFRS 101 *Disclosure Initiative*

Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 127 *Equity Method in Separate Financial Statements*

Amendments to MFRSs *Annual Improvements to 2012 - 2014 Cycle*

There is no impact upon adoption of the above MFRSs and Amendments to MFRSs during the current financial year other than the adoption of Amendments to MFRS 101 *Disclosure Initiative*, which resulted in the significant accounting policies being disclosed in the respective notes to the financial statements instead of disclosing in single note. There is no specific disclosure if the information resulting from that disclosure is not material or relevant to the Group and the Company.

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
Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2017
Amendments to MFRS 107 *Disclosure Initiative*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Clarification to MFRS 15	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

The Group and the Company are 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. 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 oleochemical, 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

4. SEGMENTAL INFORMATION (continued)

In RM million	Plantation	Resource-based manufacturing	Other operations	Total
2017				
Revenue				
Segment revenue	**2,341.0**	**13,879.9**	**13.3**	**16,234.2**
Result				
Operating profit	**1,119.8**	**291.9**	**9.2**	**1,420.9**
Share of results of associates	**110.7**	**30.0**	**–**	**140.7**
Share of results of joint ventures	**–**	**(3.4)**	**–**	**(3.4)**
Segment results	**1,230.5**	**318.5**	**9.2**	**1,558.2**
Assets				
Operating assets	**7,965.1**	**7,831.6**	**76.6**	**15,873.3**
Interest in associates	**901.1**	**220.0**	**–**	**1,121.1**
Interest in joint ventures	**–**	**34.5**	**–**	**34.5**
Segment assets	**8,866.2**	**8,086.1**	**76.6**	**17,028.9**
Liabilities				
Segment liabilities	**295.2**	**1,280.2**	**19.2**	**1,594.6**
Other Information				
Capital expenditure	**246.7**	**259.9**	**2.2**	**508.8**
Depreciation and amortisation	**264.2**	**215.1**	**0.4**	**479.7**
Non-cash items other than depreciation and amortisation	**8.4**	**183.1**	**7.8**	**199.3**

4. 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	8,065.3	6,611.9	141.6	14,818.8
Interest in associates	744.6	192.9	–	937.5
Interest in joint ventures	–	31.7	–	31.7
Segment assets	8,809.9	6,836.5	141.6	15,788.0
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

Notes to the Financial Statements

4. SEGMENTAL INFORMATION (continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities to the Group's corresponding amounts are as follows:

In RM million	Group 2017	Group 2016
Revenue		
Segment revenue	**16,234.2**	13,519.1
Inter-segment sales	**(2,106.9)**	(1,779.8)
Total revenue	**14,127.3**	11,739.3
Profit or loss		
Segment results	**1,558.2**	1,452.9
Unallocated corporate income/(expenses)	**2.0**	(3.3)
Profit before interest and taxation	**1,560.2**	1,449.6
Interest income	**39.1**	53.3
Finance costs	**(213.3)**	(218.6)
Net foreign currency translation loss on foreign currency denominated borrowings	**(298.8)**	(318.5)
Profit before taxation	**1,087.2**	965.8
Taxation	**(331.5)**	(319.5)
	755.7	646.3
Gain arising from disposal of assets held for sale, net of tax	**10.4**	–
Profit for the financial year	**766.1**	646.3
Assets		
Segment assets	**17,028.9**	15,788.0
Unallocated corporate assets	**995.8**	1,768.1
Total assets	**18,024.7**	17,556.1
Liabilities		
Segment liabilities	**1,594.6**	1,398.3
Unallocated corporate liabilities	**8,711.4**	8,740.8
Total liabilities	**10,306.0**	10,139.1

4. SEGMENTAL INFORMATION (continued)

Geographical Segments

In RM million	Malaysia	Europe	North America	Asia	Others	Consolidated
Group						
2017						
Revenue from external customers by location of customers	**2,796.2**	**4,878.8**	**2,230.6**	**3,779.8**	**441.9**	**14,127.3**
Segment assets by location of assets	**13,317.9**	**1,762.6**	**689.3**	**1,215.0**	**44.1**	**17,028.9**
Capital expenditure by location of assets	**260.8**	**45.7**	**70.0**	**132.3**	**–**	**508.8**
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	11,479.1	2,472.9	936.4	899.3	0.3	15,788.0
Capital expenditure by location of assets	294.8	40.2	53.8	92.9	–	481.7

There is no single external customer that the revenue generated from exceeded 10% of the Group's revenue.

5. REVENUE

	Group		Company	
In RM million	2017	2016	2017	2016
Sales of plantation produce and related products	**234.1**	167.1	**10.0**	6.1
Resource-based manufacturing	**13,879.9**	11,551.3	**–**	–
Dividend income	**3.2**	3.0	**918.2**	804.8
Management fees	**9.1**	16.9	**–**	–
Others	**1.0**	1.0	**31.0**	52.0
	14,127.3	11,739.3	**959.2**	862.9

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.

5.1 Commodities, other products and services

Revenue is recognised upon delivery of products and customer acceptance, if any, or performance of services, net of discounts.

5.2 Dividend income

Dividend income is recognised when shareholder's right to receive payment is established.

5.3 Management fees and advisory fees

Management fees and advisory fees are recognised when services are rendered.

Notes to the Financial Statements

6. OTHER OPERATING INCOME

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Fair value gain on derivative financial instruments	**100.4**	200.2	**–**	–
Fair value gain on other investments	**6.4**	4.1	**0.4**	0.3
Fair value gain on short term funds	**2.6**	2.0	**–**	–
Foreign currency translation gain				
– Realised	**93.0**	37.2	**20.8**	32.5
– Unrealised	**34.1**	26.0	**70.3**	42.1
Gain on disposal of property, plant and equipment	**3.8**	0.7	**–**	–
Gain arising from acquisition of interest in an associate	**1.6**	–	**–**	–
Net gain arising from changes in fair value of biological assets	**11.6**	–	**–**	–
Realised fair value gain on derivative financial instruments	**411.9**	186.8	**–**	–
Reversal of impairment loss on investment in subsidiary	**–**	–	**4.3**	–
Others	**62.2**	55.5	**12.6**	7.5
	727.6	512.5	**108.4**	82.4

7. OTHER OPERATING EXPENSES

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Depreciation of property, plant and equipment	**157.7**	136.3	**0.6**	0.7
Depreciation of investment properties	**–**	0.1	**–**	–
Fair value loss on derivative financial instruments	**170.4**	79.6	**–**	–
Fair value loss on other investments	**6.8**	6.9	**–**	–
Fair value loss on short term funds	**1.0**	0.1	**–**	–
Foreign currency translation loss				
– Realised	**61.1**	167.8	**33.3**	8.1
– Unrealised	**6.4**	87.3	**41.8**	62.7
Impairment losses on receivables	**0.4**	2.9	**–**	–
Loss arising from acquisition of interest in an associate	**–**	5.3	**–**	–
Loss on disposal of property, plant and equipment	**0.6**	0.5	**–**	0.2
Loss on liquidation of subsidiaries	**4.4**	–	**10.1**	–
Net loss arising from changes in fair value of biological assets	**–**	4.4	**–**	–
Property, plant and equipment written off	**12.0**	18.3	**–**	–
Realised fair value loss on derivative financial instruments	**474.9**	263.0	**–**	–
Rental expenses	**11.7**	10.0	**–**	–
Research and development expenses	**7.9**	6.4	**–**	–
Others	**27.9**	24.3	**7.9**	6.7
	943.2	813.2	**93.7**	78.4

8. INTEREST INCOME

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Short term funds	**21.5**	36.7	**–**	–
Short term deposits	**13.8**	13.9	**1.0**	1.1
Subsidiaries	**–**	–	**44.7**	44.3
Others	**3.8**	2.7	**0.9**	2.7
	39.1	53.3	**46.6**	48.1

Interest income is recognised in profit or loss as it accrues, unless recoverability is in doubt, in which case, it is recognised on receipt basis.

9. FINANCE COSTS

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Interest expenses				
Term loans	**43.5**	44.8	**–**	–
Notes	**102.0**	99.5	**–**	–
Short term loans	**9.7**	5.8	**–**	–
Subsidiaries	**–**	–	**90.5**	93.0
Associates	**2.1**	4.3	**–**	–
Others	**2.4**	3.1	**1.0**	0.8
	159.7	157.5	**91.5**	93.8
Profit payment on Islamic financing	**60.7**	61.3	**47.1**	46.1
Total finance costs	**220.4**	218.8	**138.6**	139.9
Less: Interest capitalised (Note 15)	**(7.1)**	(0.2)	**–**	–
Net finance costs	**213.3**	218.6	**138.6**	139.9

Notes to the Financial Statements

10. PROFIT BEFORE TAXATION

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
a) Other than those disclosed in Note 6 and Note 7, profit before taxation has been arrived at after charging:				
Amortisation of prepaid lease payments	**0.4**	0.2	**–**	–
Amortisation of intangible assets	**4.6**	1.6	**–**	–
Auditors' remuneration				
BDO and affiliates				
Statutory audit	**1.0**	1.0	**0.1**	0.1
Non-statutory audit				
– tax compliance and advisory services	**0.3**	0.3	**–**	–
– others	**0.1**	–	**0.1**	–
Member firms of BDO International				
Statutory audit	**1.3**	1.2	**–**	–
Other auditors				
Statutory audit	**1.0**	0.8	**–**	–
Depreciation of property, plant and equipment (Note 15)	**474.7**	457.8	**1.7**	1.4
Net foreign currency translation loss on foreign currency denominated borrowings	**298.8**	318.5	**163.8**	112.7
Inventories written down to net realisable values	**2.9**	18.6	**–**	–
Property, plant and equipment written off	**15.5**	24.5	**–**	–
Research and development expenses	**15.0**	18.2	**–**	–
and crediting:				
Reversal of inventories written down to net realisable values	**3.4**	6.7	**–**	–
Gross dividends received from:				
– other quoted investments in Malaysia	**2.7**	2.6	**0.1**	0.1
– other unquoted investments in Malaysia	**0.5**	0.4	**–**	–
– unquoted subsidiaries	**–**	–	**918.1**	804.7
Impairment losses on receivables written back (Note 23.1)	**2.9**	0.3	**–**	–
Rental income from:				
– investment properties	**0.4**	0.4	**–**	–
– storage tank	**7.3**	7.4	**–**	–
– others	**1.4**	1.5	**–**	–

Cost of inventories of the Group recognised as an expense during the financial year amounted to RM6,338.3 million (2016 – RM4,451.8 million).

b) Employee information

The employee benefits costs are as follows:

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Wages, salaries and others	**1,001.0**	837.2	**32.2**	27.9
Post employment benefits	**60.2**	28.1	**3.7**	3.2
Share option expenses (Note 29.1.3)	**19.1**	–	**3.6**	–
Retirement benefits expenses (Note 32.1)	**5.4**	32.1	**–**	–
	1,085.7	897.4	**39.5**	31.1

11. TAXATION

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Current year				
Malaysian income taxation	**319.5**	268.0	**3.3**	2.8
Foreign taxation	**60.1**	51.6	**–**	–
Deferred taxation (Note 20)	**(44.0)**	7.2	**0.3**	0.2
	335.6	326.8	**3.6**	3.0
Prior years				
Malaysian income taxation	**2.0**	(3.5)	**(2.3)**	–
Foreign taxation	**(0.6)**	–	**–**	–
Deferred taxation (Note 20)	**(5.5)**	(3.8)	**(0.5)**	–
	(4.1)	(7.3)	**(2.8)**	–
	331.5	319.5	**0.8**	3.0

A numerical reconciliation between average effective tax rate and applicable tax rate of the Group and of the Company is as follows:

%	Group 2017	Group 2016	Company 2017	Company 2016
Applicable tax rate	**24.00**	24.00	**24.00**	24.00
Tax effects in respect of:				
Non allowable expenses	**10.88**	13.85	**14.54**	12.56
Non-taxable income	**(0.32)**	(0.82)	**(5.49)**	(5.53)
Tax exempt income	**(0.73)**	(1.08)	**(32.91)**	(30.89)
Tax incentives and allowances	**(0.28)**	(0.55)	**–**	–
Utilisation of previously unrecognised tax losses and capital allowances	**(0.75)**	(0.01)	**(0.04)**	–
Deferred tax assets not recognised	**0.64**	1.04	**–**	–
Different tax rates in foreign jurisdiction	**0.55**	0.01	**–**	–
Share of post-tax results of associates	**(3.11)**	(2.48)	**–**	–
Share of post-tax results of joint ventures	**0.07**	0.13	**–**	–
Other items	**(0.09)**	(0.25)	**0.44**	0.34
	30.86	33.84	**0.54**	0.48
Over provision in prior years	**(0.37)**	(0.76)	**(0.42)**	–
	30.49	33.08	**0.12**	0.48

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.

Malaysian income tax is calculated at the statutory rate of 24% (2016 – 24%) 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. Other tax expenses for other taxation authorities are calculated at the rates prevailing in the respective jurisdictions.

The amount of tax savings arising from the utilisation of brought forward unutilised tax losses and capital allowances of the Group and the Company amounted to approximately RM8.1 million (2016 – RM0.1 million) and RM0.3 million (2016 – nil).

Notes to the Financial Statements

11. TAXATION (continued)

Subject to agreement with the tax authorities, certain subsidiaries of the Group and the Company have unutilised tax losses of approximately RM102.0 million (2016 – RM106.9 million) and RM1.1 million (2016 – RM2.2 million) respectively, 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.

12. DISCONTINUED OPERATIONS

On 7 March 2016, IOI Pan-Century Edible Oils Sdn Bhd, an indirect wholly-owned subsidiary of the Company had entered into an agreement to dispose off its operations that was part of the resource-based manufacturing segment, which included a parcel of leasehold land, buildings and improvements, and plant and machinery. This disposal was completed on 8 September 2016.

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	
	2017	**2016**
In RM million		
Profit for the financial year attributable to owners of the parent		
From continuing operations	**732.8**	629.7
From discontinued operations	**10.4**	–
	743.2	629.7
In million		
Weighted average number of ordinary shares in issue after deducting the treasury shares	**6,287.5**	6,303.5
In sen		
Basic earnings per ordinary share		
From continuing operations	**11.65**	9.99
From discontinued operations	**0.17**	–
	11.82	9.99

13. EARNINGS PER ORDINARY SHARE (continued)

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	
	2017	**2016**
In RM million		
Profit for the financial year attributable to owners of the parent		
From continuing operations	**732.8**	629.7
From discontinued operations	**10.4**	–
	743.2	629.7

The adjusted weighted average number of ordinary shares for the computation of diluted earnings per ordinary share is arrived at as follows:

	Group	
	2017	**2016**
In million		
Weighted average number of ordinary shares in issue after deducting the treasury shares	**6,287.5**	6,303.5
Adjustments for share option granted to Eligible Persons of the Group	**0.3**	2.9
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share	**6,287.8**	6,306.4

	Group	
	2017	**2016**
In sen		
Diluted earnings per ordinary share		
From continuing operations	**11.65**	9.99
From discontinued operations	**0.17**	–
	11.82	9.99

14. DIVIDENDS

	Group and Company	
In RM million	**2017**	**2016**
Second interim single tier dividend in respect of financial year ended 30 June 2016 declared and paid of 4.5 sen per ordinary share	**283.0**	–
First interim single tier dividend in respect of financial year ended 30 June 2017 declared and paid of 4.5 sen per ordinary share	**282.9**	–
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
	565.9	504.1

Notes to the Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT

Group
2017

In RM million	At beginning of financial year	Additions	Disposals	Foreign currency translation differences	Write-offs	Transfer to plasma scheme	Reclassifications	At end of financial year
At cost								
Freehold land	1,943.7	42.1	–	9.3	–	–	–	1,995.1
Leasehold land	3,876.9	–	–	2.4	–	–	–	3,879.3
Bearer plants	2,621.4	160.5	–	12.8	(46.3)	(43.6)	–	2,704.8
Buildings and improvements	1,698.4	36.2	–	60.2	(3.4)	–	19.6	1,811.0
Plant and machinery	3,772.7	103.2	(2.5)	131.6	(31.3)	–	19.8	3,993.5
Construction in progress	171.8	135.9	(0.5)	11.2	–	–	(39.8)	278.6
Other property, plant and equipment	472.6	27.1	(3.4)	8.1	(3.7)	–	0.4	501.1
	14,557.5	505.0	(6.4)	235.6	(84.7)	(43.6)	–	15,163.4

In RM million	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	Transfer to plasma scheme	At end of financial year
Accumulated depreciation							
Leasehold land	148.2	54.3	–	0.6	–	–	203.1
Bearer plants	1,093.3	136.0	–	0.8	(39.4)	(3.4)	1,187.3
Buildings and improvements	693.5	60.5	–	22.2	(2.2)	–	774.0
Plant and machinery	2,383.2	192.4	(2.0)	76.6	(24.0)	–	2,626.2
Other property, plant and equipment	254.2	31.5	(2.2)	6.0	(3.6)	–	285.9
	4,572.4	474.7	(4.2)	106.2	(69.2)	(3.4)	5,076.5

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group
2016

In RM million	At beginning of financial year	Additions	Acquisition of oleochemical 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
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
Construction in progress	255.4	118.7	3.6	(4.5)	7.9	–	(209.3)	–	171.8
Other property, plant and equipment	421.8	56.3	3.0	(9.9)	3.5	(4.6)	2.5	–	472.6
	13,914.4	466.9	194.7	(22.1)	119.4	(98.0)	–	(17.8)	14,557.5

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
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
Other property, plant and equipment	235.8	27.6	(9.1)	3.3	(3.4)	–	254.2
	4,148.9	457.8	(16.5)	59.3	(73.5)	(3.6)	4,572.4

Notes to the Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company
2017

In RM million	At beginning of financial year	Additions	At end of financial year
At cost			
Freehold land	**71.9**	**–**	**71.9**
Bearer plants	**20.7**	**0.1**	**20.8**
Other property, plant and equipment	**4.3**	**–**	**4.3**
	96.9	**0.1**	**97.0**

In RM million	At beginning of financial year	Current year depreciation charge	At end of financial year
Accumulated depreciation			
Bearer plants	**5.0**	**1.1**	**6.1**
Other property, plant and equipment	**2.1**	**0.6**	**2.7**
	7.1	**1.7**	**8.8**

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
Other property, plant and equipment	4.2	1.8	(1.7)	4.3
	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
Other property, plant and equipment	2.5	0.6	(1.0)	2.1
	6.7	1.4	(1.0)	7.1

15. PROPERTY, PLANT AND EQUIPMENT (continued)

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Carrying amount				
Freehold land	**1,995.1**	1,943.7	**71.9**	71.9
Leasehold land	**3,676.2**	3,728.7	**–**	–
Bearer plants	**1,517.5**	1,528.1	**14.7**	15.7
Buildings and improvements	**1,037.0**	1,004.9	**–**	–
Plant and machinery	**1,367.3**	1,389.5	**–**	–
Construction in progress	**278.6**	171.8	**–**	–
Other property, plant and equipment	**215.2**	218.4	**1.6**	2.2
	10,086.9	9,985.1	**88.2**	89.8

Included in the Group's bearer plants is an amount of interest expense capitalised during the financial year amounting to RM7.1 million (2016 – RM0.2 million).

Interest is capitalised at 5.99% (2016 – 4.70%) per annum.

Bearer plants with carrying amounts of RM40.2 million were transferred under a plasma scheme that represents plasma plantations transferred to local smallholders under the requirements of the Indonesian government and are recoverable from the sales of crops.

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Additions to property, plant and equipment	**505.0**	466.9	**0.1**	2.5
Interest capitalised	**(7.1)**	(0.2)	**–**	–
Financed by finance lease arrangement	**–**	(8.1)	**–**	–
Cash payments on purchase of property, plant and equipment	**497.9**	458.6	**0.1**	2.5

All items of property, plant and equipment are initially measured at cost.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land, which in substance is a finance lease is classified as property, plant and equipment.

Bearer plants are living plants 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.

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.

Notes to the Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Other property, plant and equipment are depreciated on the 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
Buildings and improvements	2% – 10%
Plant and machinery	4% – 20%
Other property, plant and equipment	4% – 33%

16. INTANGIBLE ASSETS

	Group	
In RM million	2017	2016
Goodwill (Note 16.1)	**462.1**	462.7
Other intangible assets (Note 16.2)	**60.0**	59.0
	522.1	521.7

16.1 Goodwill

	Group	
In RM million	2017	2016
At beginning of financial year	**462.7**	458.4
Acquisition of oleochemical business (Note 35.2)	**–**	4.5
Exchange differences	**(0.6)**	(0.2)
At end of financial year	**462.1**	462.7

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:

	Group	
In RM million	2017	2016
Plantation	**128.5**	128.5
Resource-based manufacturing	**333.6**	334.2
	462.1	462.7

16. INTANGIBLE ASSETS (continued)

16.1 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 estimation of the value-in-use by the management. 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 based on 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 adjusted for specific risks relating to the relevant segments. The average discount rate applied for cash flow projections is 7.67% (2016 – 7.06%).

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.

16.2 Other intangible assets

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. 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.

Other intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives of twelve (12) years.

17. SUBSIDIARIES

17.1 Investments in subsidiaries

	Company	
In RM million	2017	2016
At cost		
Unquoted shares in Malaysia	**6,877.7**	6,690.9
Unquoted shares outside Malaysia	**1,148.2**	1,077.2
	8,025.9	7,768.1
Less: Accumulated impairment losses	**–**	(4.3)
	8,025.9	7,763.8

Notes to the Financial Statements

17. SUBSIDIARIES (continued)

17.1 Investments in subsidiaries (continued)

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses, if any.

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.

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.

Details of the subsidiaries are set out in Note 42 to the financial statements.

2017

During the financial year, the Company:

i. subscribed for an additional 47,000,000 ordinary shares in IOI Global Services Sdn Bhd with cash payments of RM47.0 million.

ii. subscribed for an additional 141,000,000 ordinary shares in IOI Lipid Enzymtec Sdn Bhd. The consideration for the subscription amounting to RM141.0 million was settled by offsetting the amount due from IOI Lipid Enzymtec Sdn Bhd to the Company.

iii. subscribed for an additional 155,263,188 redeemable preference shares in IOI Edible Oils (HK) Limited with cash payments of HKD155.3 million (equivalent to RM81.0 million).

iv. redeemed 1,160,000 redeemable preference shares in Morisem Consolidated Sdn Bhd with total redemption amount of RM1.2 million.

v. completed the liquidation of subsidiaries, IOI Corporation N.V., IOI Capital (L) Berhad and IOI Resources (L) Berhad. Total loss recognised from the liquidation is RM10.1 million.

2016

During the previous 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 with cash payments of RM1.2 million. The acquisition had 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.

17. SUBSIDIARIES (continued)

17.2 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 5.99% (2016 – 0% to 5.50%) per annum.

All amounts due from and to subsidiaries are payable upon demand in cash and cash equivalents except for the non-current amounts due from subsidiaries that are not repayable within the next twelve (12) months and non-current amounts due to subsidiaries that are payable on a back-to-back basis with the corresponding borrowings of the Group.

17.3 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.

17.4 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 2017.

18. ASSOCIATES

18.1 Investments in associates

	Group		Company	
In RM million	2017	2016	2017	2016
At cost				
Shares quoted outside Malaysia	**434.0**	434.0	**–**	–
Unquoted shares in Malaysia	**82.4**	82.4	**20.4**	20.4
	516.4	516.4	**20.4**	20.4
Share of post acquisition results and reserves	**604.7**	421.1	**–**	–
	1,121.1	937.5	**20.4**	20.4
At Market Value				
Shares quoted outside Malaysia	**1,300.7**	1,269.6	**–**	–

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.

Details of the associates are set out in Note 42 to the financial statements.

18. ASSOCIATES (continued)

18.2 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 2017 is summarised as follows.

In RM million	Bumitama 2017	Bumitama 2016
Assets and liabilities		
Current assets	**724.8**	745.0
Non-current assets	**4,090.1**	3,682.1
Total assets	**4,814.9**	4,427.1
Current liabilities	**(633.3)**	(716.9)
Non-current liabilities	**(1,674.2)**	(1,796.0)
Total liabilities	**(2,307.5)**	(2,512.9)
Net assets	**2,507.4**	1,914.2
Non-controlling interests	**(273.1)**	(170.0)
Net assets attributable to shareholders of Bumitama	**2,234.3**	1,744.2
Results		
Revenue	**2,262.7**	1,666.5
Profit for the financial year	**333.4**	236.3
Other comprehensive income	**106.3**	36.6
Total comprehensive income	**439.7**	272.9

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	2017	2016
Net assets attributable to shareholders of Bumitama	**2,234.3**	1,744.2
Proportion of ownership interest held by the Group	**31.79%**	31.71%
Group's share of net assets	**710.3**	553.1
Goodwill	**168.7**	168.7
Carrying value of Group's interest in Bumitama	**879.0**	721.8

Dividends received from Bumitama during the financial year amounted to RM25.4 million (2016 – RM8.0 million).

18. ASSOCIATES (continued)

18.2 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 2017	Group 2016
Profit for the financial year	**29.5**	21.5
Other comprehensive income	**1.1**	7.5
Total comprehensive income	**30.6**	29.0
Carrying amount	**242.1**	215.7

Dividends received from immaterial associates during the financial year amounted to RM3.9 million (2016 – RM25.4 million).

19. DERIVATIVE FINANCIAL INSTRUMENTS

In RM million	Contract/ Notional amount Net (short)/long	Fair value Financial Assets	Fair value Financial Liabilities
Group			
2017			
Forward foreign exchange contracts	**(953.8)**	**29.2**	**55.2**
Commodity forward contracts	**102.1**	**24.9**	**30.6**
Commodity futures	**145.3**	**2.3**	**4.2**
Cross currency swap contracts	**1,664.6**	**140.6**	**22.5**
Interest rate swap contracts	**1,116.8**	**–**	**2.5**
Total derivative financial instruments	**2,075.0**	**197.0**	**115.0**
Less: Current portion		**(56.4)**	**(91.8)**
Non-current portion		**140.6**	**23.2**
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

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

In RM million	Contract/ Notional amount Net long	Fair value Financial Assets	Fair value Financial Liabilities
Company			
2017			
Cross currency swap contracts	**859.1**	**0.7**	**22.5**
Interest rate swap contracts	**1,116.8**	**–**	**2.5**
Total derivative financial instruments	**1,975.9**	**0.7**	**25.0**
Less: Current portion		**–**	**(1.8)**
Non-current portion		**0.7**	**23.2**
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

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 loss of the USDEUR CCS as at end of the financial year is RM22.5 million; and

b) Cross currency swap contract, which swapped a floating rate of USD100.0 million liability to a fixed rate of EUR90.1 million liability ("USDEUR CCS") to serve as a net investment hedge against the Group's Euro denominated assets. The fair value gain of the USDEUR CCS as at end of the financial year is RM0.7 million.

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 were subsequently remeasured at fair value and the changes in fair value were recognised as follows:

i. Derivatives recognised in the other comprehensive income pursuant to hedge accounting

   a) Cross currency swap contract, which swapped a fixed rate USD100.0 million liability to a fixed rate EUR90.9 million liability; and

   b) Cross currency swap contract, which swapped a floating rate USD100.0 million liability to a fixed rate EUR90.1 million liability.

ii. Derivatives recognised in the profit or loss

   a) All other derivatives other than those mentioned in (i) above.

During the financial year, the Group and the Company recognised total fair value loss of RM7.2 million (2016 – gain of RM45.9 million) and fair value loss of RM11.7 million (2016 – gain of RM13.5 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 39.6 to the financial statements.

20. DEFERRED TAXATION

	Group		Company	
In RM million	**2017**	**2016**	**2017**	**2016**
At beginning of financial year	**1,296.2**	1,291.9	**3.9**	3.7
Recognised in profit or loss (Note 11)				
– Current year	**(44.0)**	7.2	**0.3**	0.2
– Prior years	**(5.5)**	(3.8)	**(0.5)**	–
	(49.5)	3.4	**(0.2)**	0.2
Recognised in other comprehensive income	**1.2**	(1.3)	**–**	–
Acquisition of oleochemical business (Note 35.2)	**–**	(6.5)	**–**	–
Foreign currency translation differences	**10.0**	8.7	**–**	–
At end of financial year	**1,257.9**	1,296.2	**3.7**	3.9

Presented after appropriate offsetting as follows:

	Group		Company	
In RM million	**2017**	**2016**	**2017**	**2016**
Deferred tax liabilities	**1,309.9**	1,334.2	**3.7**	3.9
Deferred tax assets	**(52.0)**	(38.0)	**–**	–
	1,257.9	1,296.2	**3.7**	3.9

Notes to the Financial Statements

20. DEFERRED TAXATION (continued)

The movements of deferred tax liabilities and deferred tax assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities

In RM million	Group		Company	
	2017	**2016**	**2017**	**2016**
At beginning of financial year	**1,334.2**	1,344.9	**3.9**	3.7
Recognised in profit or loss				
Temporary differences on property, plant and equipment	**(38.6)**	(23.3)	**(0.2)**	0.1
Other temporary differences	**2.1**	4.8	**–**	0.1
	(36.5)	(18.5)	**(0.2)**	0.2
Foreign currency translation differences	**12.2**	7.8	**–**	–
At end of financial year	**1,309.9**	1,334.2	**3.7**	3.9

Deferred tax assets

In RM million	Group	
	2017	**2016**
At beginning of financial year	**38.0**	53.0
Recognised in profit or loss		
Temporary differences on unutilised tax losses	**(0.5)**	(12.4)
Temporary differences on derivative financial instruments	**11.4**	(4.0)
Other deductible temporary differences	**2.1**	(5.5)
	13.0	(21.9)
Recognised in other comprehensive income	**(1.2)**	1.3
Acquisition of oleochemical business (Note 35.2)	**–**	6.5
Foreign currency translation differences	**2.2**	(0.9)
At end of financial year	**52.0**	38.0

The components of deferred tax liabilities and deferred tax assets at the end of the financial year comprise the tax effects of:

Deferred tax liabilities

In RM million	Group		Company	
	2017	**2016**	**2017**	**2016**
Temporary differences on property, plant and equipment	**1,297.1**	1,314.9	**3.6**	3.8
Other temporary differences	**12.8**	19.3	**0.1**	0.1
	1,309.9	1,334.2	**3.7**	3.9

Deferred tax assets

In RM million	Group	
	2017	**2016**
Unutilised tax losses	**10.8**	11.5
Derivative financial instruments	**17.3**	4.9
Retirement benefit obligations	**9.7**	9.2
Other deductible temporary differences	**14.2**	12.4
	52.0	38.0

20. DEFERRED TAXATION (continued)

The amount of temporary differences for which no deferred tax asset has been recognised in the statements of financial position is as follows:

	Group		Company	
In RM million	2017	2016	2017	2016
Unutilised tax losses	**102.0**	106.9	**1.1**	2.2

Deferred tax assets of certain subsidiaries of the Group and the Company have not been recognised in respect of this item as it is not probable that taxable income of the subsidiaries and the Company will be available against which the deductible temporary differences can be utilised.

21. OTHER NON-CURRENT ASSETS

	Group		Company	
In RM million	2017	2016	2017	2016
Prepaid lease payments (Note 21.1)	**25.6**	21.1	**–**	–
Investment properties (Note 21.2)	**6.9**	6.9	**–**	–
Interests in joint ventures (Note 21.3)	**34.5**	31.7	**49.9**	43.7
	67.0	59.7	**49.9**	43.7

21.1 Prepaid lease payments

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.

21.2 Investment properties

Investment properties are initially measure at cost, including transaction costs.

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. The principal depreciation periods for the buildings component of the investment properties is 50 years.

21.3 Interests in joint ventures

	Group		Company	
In RM million	2017	2016	2017	2016
Unquoted shares, at cost	**18.0**	18.0	**18.0**	18.0
Share of post acquisition results and reserves	**(15.4)**	(12.0)	**–**	–
	2.6	6.0	**18.0**	18.0
Amounts due from joint ventures	**31.9**	25.7	**31.9**	25.7
	34.5	31.7	**49.9**	43.7

Notes to the Financial Statements

21. OTHER NON-CURRENT ASSETS (continued)

21.3 Interests in joint ventures (continued)

Details of the joint ventures are set out in Note 42 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% (2016 – 3.50%) per annum and are not repayable within the next twelve (12) months.

The summarised financial information based on the Group's interest in the individually immaterial joint ventures in aggregate is as follows:

	Group	
In RM million	2017	2016
Loss for the financial year	**(3.4)**	(5.2)
Total comprehensive loss	**(3.4)**	(5.2)
Carrying amount	**34.5**	31.7

22. INVENTORIES

	Group	
In RM million	2017	2016
At cost		
Plantation produce	**44.3**	26.9
Raw materials and consumables	**1,400.4**	1,205.8
Nursery inventories	**26.8**	23.0
Finished goods	**523.0**	415.4
Semi-finished goods	**441.5**	304.5
Others	**2.3**	2.3
	2,438.3	1,977.9
At net realisable value		
Raw materials and consumables	**36.6**	7.0
Finished goods	**232.8**	299.5
	269.4	306.5
	2,707.7	2,284.4

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.

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
In RM million	2017	2016	2017	2016
Trade receivables (Note 23.1)	**1,189.5**	926.7	**–**	–
Other receivables, deposits and prepayments (Note 23.2)	**371.1**	264.5	**20.6**	20.3
	1,560.6	1,191.2	**20.6**	20.3

23.1 Trade receivables

	Group	
In RM million	2017	2016
Trade receivables	**1,200.6**	940.3
Less: Impairment losses	**(11.1)**	(13.6)
	1,189.5	926.7

i. The normal trade credit terms granted by the Group range from 7 to 120 days (2016 – 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	2017	2016
At beginning of financial year	**13.6**	10.9
Charge for the financial year	**0.4**	2.9
Written back	**(2.9)**	(0.3)
Foreign currency translation differences	**–**	0.1
At end of financial year	**11.1**	13.6

23.2 Other receivables, deposits and prepayments

	Group		Company	
In RM million	2017	2016	2017	2016
Other receivables	**296.3**	205.6	**0.1**	–
Less: Impairment losses	**(0.4)**	(0.4)	**–**	–
	295.9	205.2	**0.1**	–
Deposits	**30.2**	29.8	**20.2**	20.2
Prepayments	**45.0**	29.5	**0.3**	0.1
	371.1	264.5	**20.6**	20.3

Notes to the Financial Statements

24. OTHER INVESTMENTS

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
At fair value through profit or loss				
In Malaysia				
– Quoted shares	**92.2**	95.1	**4.0**	4.1
– Unquoted shares	**7.8**	7.4	**–**	–
Outside Malaysia				
– Quoted shares	**3.6**	1.7	**–**	–
	103.6	104.2	**4.0**	4.1

25. OTHER CURRENT ASSETS

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Biological assets (Note 25.1)	**52.4**	40.8	**0.2**	0.2
Amounts due from associates	**1.4**	6.4	**–**	–
Current tax assets	**30.8**	53.5	**7.4**	40.1
	84.6	100.7	**7.6**	40.3

25.1 Biological assets

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
At fair value				
Fresh fruit bunches				
At beginning of financial year	**40.8**	45.2	**0.2**	0.2
Changes in fair value less costs to sell	**11.6**	(4.4)	**–**	–
At end of financial year	**52.4**	40.8	**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 fifteen (15) days to harvest is negligible, therefore quantity of unripe FFB on bearer plant of up to fifteen (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 3,155,628 tonnes (2016 – 3,145,317 tonnes) and 14,058 tonnes (2016 – 12,473 tonnes) of FFB respectively.

As at 30 June 2017, 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 RM6.3 million (2016 – RM4.8 million) and RM0.1 million (2016 – RM0.1 million) respectively.

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

26. SHORT TERM FUNDS

	Group	
In RM million	2017	2016
At fair value through profit or loss		
Investments in fixed income trust funds in Malaysia	**680.4**	1,120.1

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.

27. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
In RM million	2017	2016	2017	2016
Deposits with licensed banks	**156.6**	248.7	–	128.6

28. 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 had entered into an agreement to dispose off its operations that was part of the resource-based manufacturing segment, which included a parcel of leasehold land, buildings and improvements, and plant and machinery. This disposal was completed on 8 September 2016.

The assets of disposal group held for sale during the previous financial year were 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

Notes to the Financial Statements

29. SHARE CAPITAL

	2017		2016	
	No. of shares	Amount RM million	No. of shares	Amount RM million
Group and Company				
Issued and fully paid-up				
Ordinary shares				
At beginning of financial year	**6,461,816,195**	**646.2**	6,459,295,395	645.9
Issue of shares arising from the exercise of ESOS				
At RM2.03 per ordinary share	**–**	**–**	1,260,800	0.2
At RM3.49 per ordinary share	**–**	**–**	1,260,000	0.1
Cancellation of treasury shares (Note 30.2)	**(177,956,200)**	**–**	–	–
Transfers pursuant to Companies Act 2016 in Malaysia*	**–**	**137.6**	–	–
At end of financial year	**6,283,859,995**	**783.8**	6,461,816,195	646.2

* *Transfers from share premium account and capital redemption reserve account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016 in Malaysia.*

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 6,283,859,995 (2016 – 6,461,816,195) issued and fully paid-up ordinary shares, none of the shares (2016 – 173,609,200) are held as treasury shares as disclosed in Note 30.2 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 6,283,859,995 (2016 – 6,288,206,995) ordinary shares.

29.1 Executive Share Option Scheme ("ESOS")

An ESOS was established on 28 January 2016 for the benefit of the eligible employees and Executive Directors of the Group.

The salient features of the ESOS are as follows:

a) Maximum number of shares available under the ESOS

The maximum number of new ordinary shares in the Company ("IOI Shares"), which may be granted under the 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 ESOS.

b) Eligibility

Employee of the Group

Subject to the discretion of the committee appointed by the Board to administer the ESOS ("ESOS Committee"), any employee of the Group shall be eligible to participate in the 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.

29. SHARE CAPITAL (continued)

29.1 Executive Share Option Scheme ("ESOS") (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 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 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 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 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 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 ESOS; or

ii. the par value of the IOI Shares of RM0.10 each, provided however that this provision shall cease to apply if due to a change in law, no par value is legally required to be ascribed to the share capital of the Company under the applicable law then in effect.

and subject to any adjustments stipulated in the By-Laws, where applicable.

Notwithstanding to the above, with the implementation of the Companies Act 2016 in Malaysia effective from 31 January 2017, the concept of par value of share capital had been abolished. Therefore, the par value of the shares of the Company as one of the exercise price determinant is to be disregarded.

Notes to the Financial Statements

29. SHARE CAPITAL (continued)

29.1 Executive Share Option Scheme ("ESOS") (continued)

e) Duration and termination of the ESOS

i. The ESOS came into force on 28 January 2016 ("Effective Date") and shall be for a duration of five (5) years.

ii. The 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 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 ESOS, the date of termination of the 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.

On 12 October 2016, the Company offered a total of 19,537,500 share options at an option price of RM4.42 per ordinary share to the Eligible Persons of the Group in accordance with the By-Laws of the ESOS out of which 18,772,500 share options were accepted by the Eligible Persons. None of the options has been exercised as at end of the financial year.

The movements of the options over the unissued ordinary shares in the Company granted under the ESOS during the financial year were as follows:

		No. of options over ordinary shares				
Option price *RM*	Date of offer	Outstanding as at beginning of the financial year	Granted and accepted	Lapsed*	Outstanding as at end of the financial year	Exercisable as at end of the financial year
2017						
4.42	12 October 2016	–	**18,772,500**	**(537,500)**	**18,235,000**	**18,235,000**
Weighted average exercise price *(RM)*		–	**4.42**	**4.42**	**4.42**	**4.42**

* *Due to resignation/retirement of employees as at 30 June 2017.*

29. SHARE CAPITAL (continued)

29.1 Executive Share Option Scheme ("ESOS") (continued)

29.1.1 Share options outstanding as at end of the financial year

Option price *RM*	No. of share options	Weighted average exercise price RM	Exercisable period
2017			
4.42	**18,235,000**	**4.42**	12 October 2016 – 28 January 2021

29.1.2 Fair value of share options granted during the financial year

The fair value of share options granted during the financial year determined using a Black-Sholes Model is RM1.015. The fair values of the share options were arrived at based on the following assumptions:

	Granted on 12 October 2016
Weighted average share price *(RM)*	**4.48**
Exercise price *(RM)*	**4.42**
Expected volatility (%)	**22.4**
Expected dividend yield (%)	**2.5**
Risk free interest rate (%)	**3.2**

The expected volatility is measured at the standard deviation of continuously compounded share returns, which is based on statistical analysis of daily share price over the last three years.

29.1.3 Expenses arising from the share options granted during the financial year

	Group		Company	
In RM million	2017	2016	2017	2016
Recognition of share option expenses	**19.1**	–	**19.1**	–
Less: Charge to subsidiaries	**–**	–	**(15.5)**	–
Share option expenses	**19.1**	–	**3.6**	–

Notes to the Financial Statements

29. SHARE CAPITAL (continued)

29.1 Executive Share Option Scheme ("ESOS") (continued)

The previous ESOS, which was established on 23 November 2005 ("old ESOS") expired on 23 November 2015.

The movements of the options over the unissued ordinary shares in the Company granted under the old ESOS during the previous financial year 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	–	–

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

The weighted average share price of the share options exercised during the previous financial year was as follows:

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

30. RESERVES

	Group		Company	
In RM million	**2017**	**2016**	**2017**	**2016**
Share premium	**–**	73.3	**–**	73.3
Capital reserves (Note 30.1)	**26.8**	72.0	**19.1**	64.3
Treasury shares, at cost (Note 30.2)	**–**	(763.4)	**–**	(763.4)
Foreign currency translation reserve (Note 30.3)	**25.1**	(82.5)	**–**	–
Other reserves (Note 30.4)	**(7.9)**	(1.7)	**–**	–
Hedging reserve (Note 30.5)	**(5.6)**	(0.7)	**–**	–
	38.4	(703.0)	**19.1**	(625.8)

The movements in reserves are shown in the statements of changes in equity.

30. RESERVES (continued)

30.1 Capital reserves

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
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
Share option reserves	**19.1**	–	**19.1**	–
	26.8	72.0	**19.1**	64.3

30.2 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 28 October 2016.

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.

During the financial year, the Company repurchased its issued ordinary shares from the open market and cancelled the treasury shares as follows:

	No. of Shares	Cost *RM million*	Purchase Price* Highest *RM*	Purchase Price* Lowest *RM*	Purchase Price* Average *RM*
2017					
At beginning of financial year	**173,609,200**	**763.4**	**5.69**	**3.84**	**4.40**
Purchased during the financial year					
November 2016	**247,000**	**1.1**	**4.37**	**4.37**	**4.37**
May 2017	**4,100,000**	**18.9**	**4.61**	**4.61**	**4.61**
	4,347,000	**20.0**	**4.61**	**4.37**	**4.60**
Cancellation	**(177,956,200)**	**(783.4)**			
At end of financial year	–	–			

30. RESERVES (continued)

30.2 Treasury shares (continued)

	No. of Shares	Cost RM million	Purchase Price* 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

* *Purchase price includes stamp duty, brokerage and clearing fees.*

On 29 June 2017, the Company cancelled all its accumulated 177,956,200 treasury shares with carrying amount of RM783.4 million or at an average price of RM4.40 per ordinary share.

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 127 of the Companies Act 2016 in Malaysia.

30.3 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.

30.4 Other reserves

The other reserves arising from the Group's share of associates fair value reserve.

30.5 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.

31. BORROWINGS

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Non-current liabilities				
Unsecured				
Term loans (Note 31.1)	**805.5**	1,282.3	**–**	–
Less: Portion due within 12 months included under short term borrowings	**–**	(461.3)	**–**	–
	805.5	821.0	**–**	–
Islamic financing facilities (Note 31.2)	**2,876.5**	2,781.7	**1,931.3**	1,806.3
Less: Portion due within 12 months included under short term borrowings	**(987.3)**	(1,104.2)	**(987.3)**	(441.6)
	1,889.2	1,677.5	**944.0**	1,364.7
Notes (Note 31.4)	**2,564.3**	2,396.5	**–**	–
Finance lease obligation	**8.9**	8.1	**–**	–
Less: Portion due within 12 months included under short term borrowings	**(0.2)**	(0.2)	**–**	–
	8.7	7.9	**–**	–
	5,267.7	4,902.9	**944.0**	1,364.7
Current liabilities				
Unsecured				
Term loans – portion due within 12 months (Note 31.1)	**–**	461.3	**–**	–
Islamic financing facilities – portion due within 12 months (Note 31.2)	**987.3**	1,104.2	**987.3**	441.6
Trade financing (Note 31.5)	**706.3**	555.0	**–**	–
Islamic revolving credit financing facilities (Note 31.6)	**382.3**	357.6	**382.3**	357.6
Finance lease obligation – portion due within 12 months	**0.2**	0.2	**–**	–
	2,076.1	2,478.3	**1,369.6**	799.2
Total borrowings	**7,343.8**	7,381.2	**2,313.6**	2,163.9

Notes to the Financial Statements

31. BORROWINGS (continued)

31.1 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 (2016 – 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 (2016 – 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 bore interest at 0.82% plus London Interbank Offered Rate ("LIBOR") per annum and was repayable in five (5) years from the first drawn down date in December 2011. Part of the term loan of USD215.0 million was repaid and refinanced during the previous financial years. During the current financial year, USD5.0 million of the term loan was repaid and the remaining term loan amounted to USD110.0 million was refinanced by entering into Islamic financing facility of USD110.0 million. The outstanding amount as at end of the financial year is nil (2016 – USD115.0 million).

31.2 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 profit rate of this Islamic financing facility was 0.70% plus LIBOR and was fully repaid during the financial year. The outstanding amount as at end of the financial year is nil (2016 – USD165.0 million).

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 (2016 – 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. Part of the Commodity Murabahah Financing Facility amounted to USD110.0 million was refinanced by entering into Islamic financing facility of USD110.0 million during the financial year. The outstanding amount as at end of the financial year is USD220.0 million (2016 – 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 an indirect wholly-owned subsidiary. The outstanding amount as at end of the financial year is EUR70.0 million (2016 – 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.

v. Commodity Murabahah Financing Facility of USD30.0 million that was drawn down on 19 September 2016 by an indirect subsidiary. The outstanding amount as at end of the financial year is USD30.0 million. The profit rate of this Islamic financing facility is 2.05% plus LIBOR and is repayable in six (6) semi-annual instalment of USD4.5 million each for the first four (4) instalment and USD6.0 million each for the last two (2) instalment commencing 66 months from the first drawn date.

vi. Commodity Murabahah Financing Facility of USD110.0 million that was drawn down on 13 December 2016 by a wholly-owned subsidiary. The outstanding amount as at end of the financial year is USD110.0 million. The profit rate of this Islamic financing facility is 1.05% plus LIBOR and is repayable in two (2) annual instalment of USD55.0 million each commencing 48 months from the first drawn date.

31. BORROWINGS (continued)

31.2 Islamic financing facilities (continued)

The Islamic financing facilities of the Group include (continued):

Unsecured (continued)

vii. Commodity Murabahah Financing Facility of USD110.0 million that was drawn down on 4 May 2017 by the Company. The outstanding amount as at end of the financial year is USD110.0 million. The profit rate of this Islamic financing facility is 0.92% plus LIBOR and is repayable in two (2) annual instalment of USD55.0 million each commencing 48 months from the first drawn date.

31.3 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	2017	2016	2017	2016
Less than 1 year	**987.3**	1,565.5	**987.3**	441.6
1 - 2 years	**472.2**	923.0	**472.2**	923.0
2 - 3 years	**172.0**	441.7	**–**	441.7
3 - 4 years	**644.0**	156.4	**235.9**	–
4 - 5 years	**491.5**	156.4	**235.9**	–
More than 5 years	**915.0**	821.0	**–**	–
	3,682.0	4,064.0	**1,931.3**	1,806.3

31.4 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

Notes to the Financial Statements

31. BORROWINGS (continued)

31.4 USD600 Million 4.375% Guaranteed Notes due 2022 ("Notes") (continued)

The movements of the Notes during the financial year are as follows:

In RM million	Group 2017	Group 2016
At beginning of financial year	**2,396.5**	2,249.3
Foreign currency translation differences	**165.6**	145.2
Interest expense	**2.2**	2.0
At end of financial year	**2,564.3**	2,396.5

31.5 Trade financing

Unsecured

Trade financing utilised during the financial year is subject to interest rates ranging from 0.150% to 4.300% (2016 – 0.155% to 4.190%) per annum.

31.6 Islamic revolving credit financing facilities

Unsecured

The Islamic revolving credit financing facilities (Commodity Murabahah Revolving Credit) is subject to profit rate ranging from 1.04% to 1.81% (2016 – 0.78% to 1.22%) per annum.

32. OTHER NON-CURRENT LIABILITIES

In RM million	Group 2017	Group 2016
Retirement benefits (Note 32.1)	**65.6**	64.3

32.1 Retirement benefits

In RM million	Group 2017	Group 2016
Present value of funded obligations	**2.6**	659.8
Fair value of plan assets	**–**	(606.9)
	2.6	52.9
Present value of unfunded obligations	**63.0**	55.6
Liability ceiling	**–**	(44.2)
Recognised liability for defined benefit obligations	**65.6**	64.3

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.

During the financial year, the funded defined benefit plan of a foreign subsidiary, which the employer's contributions that are limited to 26.5% wage sum has been ceased. Subsequently, the scheme has been classified as defined contribution pension plan.

32. OTHER NON-CURRENT LIABILITIES (continued)

32.1 Retirement benefits (continued)

The last actuarial valuations for the unfunded and funded plans were carried out on 30 June 2015 and 30 June 2017 respectively.

Movements in the net liability recognised in the statements of financial position:

In RM million	Present value of funded obligations	Present value of unfunded obligations	Fair value of plan assets	Liability ceiling	Total
Group					
2017					
At beginning of financial year	**659.8**	**55.6**	**(606.9)**	**(44.2)**	**64.3**
Benefits paid	**(0.2)**	**(1.7)**	**–**	**–**	**(1.9)**
Expense recognised in profit or loss (Note 10(b))	**0.3**	**5.1**	**–**	**–**	**5.4**
Remeasurements					
– Actuarial gain recognised in other comprehensive income	**(0.1)**	**(5.5)**	**–**	**–**	**(5.6)**
Termination of funded defined benefit plans	**(716.1)**	**–**	**667.5**	**48.6**	**–**
Foreign currency translation differences	**58.9**	**9.5**	**(60.6)**	**(4.4)**	**3.4**
At end of financial year	**2.6**	**63.0**	**–**	**–**	**65.6**
2016					
At beginning of financial year	516.8	22.1	(509.5)	–	29.4
Acquisition of oleochemical business (Note 35.2)	–	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 10(b))	44.2	2.8	(14.9)	–	32.1
Remeasurements					
– Actuarial loss recognised in other comprehensive income	73.0	4.9	–	–	77.9
– Return on plan assets	–	–	(31.0)	–	(31.0)
– Effect of liability ceiling	–	–	–	(44.2)	(44.2)
Foreign currency translation differences	30.0	(0.6)	(29.8)	–	(0.4)
At end of financial year	659.8	55.6	(606.9)	(44.2)	64.3

Notes to the Financial Statements

32. OTHER NON-CURRENT LIABILITIES (continued)

32.1 Retirement benefits (continued)

Expense recognised in profit or loss:

	Group	
In RM million	2017	2016
Current service cost	**3.4**	31.4
Interest cost	**2.0**	1.0
Past service cost	**–**	(0.3)
	5.4	32.1

A summary of the combined allocation of the plan assets by major asset classes during the previous financial year was shown below:

%	Group 2016
Equity instruments	44.1
Debt instruments	55.9
Other	–
	100.0

Liability for defined benefit obligations

Principal actuarial assumptions used at the reporting period (expressed as weighted averages):

	Group	
%	2017	2016
Discount rate	**2.1**	1.6

Sensitivity analysis

The impact on changes of each significant actuarial assumption as at the end of the reporting period is as follows:

	Group	
In RM million	2017	2016
Discount rate increase by 0.1%	**(0.9)**	(16.7)
Discount rate decrease by 0.1%	**1.2**	18.4

33. TRADE AND OTHER PAYABLES

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Trade payables (Note 33.1)	**856.8**	621.7	**–**	–
Other payables and accruals (Note 33.2)	**532.0**	507.8	**34.0**	32.9
	1,388.8	1,129.5	**34.0**	32.9

33.1 Trade payables

Credit terms of trade payables vary from 14 to 60 days (2016 – 14 to 60 days) from date of invoice.

33.2 Other payables and accruals

In RM million	Group 2017	Group 2016	Company 2017	Company 2016
Other payables	**270.9**	254.4	**1.8**	0.7
Customer deposits and other deposits	**2.2**	3.6	**–**	–
Accruals	**258.9**	249.8	**32.2**	32.2
	532.0	507.8	**34.0**	32.9

34. OTHER CURRENT LIABILITIES

In RM million	Group 2017	Group 2016
Amounts due to associates (Note 34.1)	**25.2**	96.7
Current tax liabilities	**57.7**	25.4
	82.9	122.1

34.1 Amounts due to associates

Amounts due to associates represent outstanding amounts arising from agency income, purchases, advances and payments made on behalf by associates, which are unsecured, bear interest rates at 5% plus LIBOR per annum and payable upon demand in cash and cash equivalents.

Notes to the Financial Statements

35. LIQUIDATION/ACQUISITION OF SUBSIDIARIES

Business combinations are accounted for by applying the acquisition method of accounting.

2017

35.1 Liquidation of subsidiaries

During the financial year, the Group and the Company completed the liquidation of the following subsidiaries:

In RM million	Group	Company
IOI Corporation N.V.	**(4.4)**	**(10.0)**
IOI Capital (L) Berhad	**–***	**–***
IOI Resources (L) Berhad	**–***	**(0.1)**
	(4.4)	**(10.1)**

* *Lesser than RM0.1 million.*

The analysis of the liquidation of IOI Corporation N.V. is summarised as follows:

In RM million	Group	Company
Group share of net liabilities	**(0.3)**	**(10.0)**
Foreign currency translation reserve	**(4.1)**	**–**
Loss on liquidation of a subsidiary	**(4.4)**	**(10.0)**

2016

35.2 Acquisition of oleochemical business

IOI Oleo GmbH

On 15 February 2016 ("date of acquisition"), IOI Oleo GmbH ("IOI Oleo"), an indirect wholly owned subsidiary of the Company acquired the entire oleochemical 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 was summarised as follows:

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

35. LIQUIDATION/ACQUISITION OF SUBSIDIARIES (continued)

35.2 Acquisition of oleochemical 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 16.1)	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 had no material effect on the financial results of the Group for the previous financial year as IOI Oleo's contribution to the Group's revenue and Group's profit since acquisition date was not significant.

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year comprise:

	Group		Company	
In RM million	2017	2016	2017	2016
Short term funds (Note 26)	**680.4**	1,120.1	**–**	–
Deposits with financial institutions (Note 27)	**156.6**	248.7	**–**	128.6
Cash and bank balances	**685.1**	569.4	**42.6**	115.2
	1,522.1	1,938.2	**42.6**	243.8

The Group has undrawn borrowing facilities of RM6,609.0 million (2016 – RM5,438.3 million) at the end of the financial year.

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.

Notes to the Financial Statements

37. SIGNIFICANT RELATED PARTY DISCLOSURES

37.1 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 42 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 42 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 are companies in which the Directors are also the substantial shareholders of the Company and have substantial shareholdings interest.

37.2 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	2017	2016
Group		
Associates		
Sales of oleochemical products and palm kernel oil	**717.9**	534.5
Purchases of oleochemical products	**19.4**	14.6
Rental income on storage tank	**7.3**	7.4
Interest expense	**2.1**	4.3
Affiliates		
Management fees income	**7.5**	6.4
Agency fees income	**2.5**	1.2
Purchases of palm products	**35.2**	19.1
Rental expenses	**3.9**	2.5
Company		
Subsidiaries		
Sales of palm products	**10.0**	6.1
Purchases of palm products	**4.0**	2.7
Advisory fees income	**31.0**	52.0
Management fees expenses	**6.8**	5.8
Interest income	**44.7**	44.3
Interest expense	**90.5**	93.0

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 2017 are disclosed in Note 17.2, Note 25, Note 34.1 and Note 21.3 to the financial statements.

37. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

37.3 Key management personnel compensation

The remuneration of key management personnel during the financial year is as follows:

	Group		Company	
In RM million	**2017**	**2016**	**2017**	**2016**
Directors				
Fees	**1.1**	0.9	**1.1**	0.9
Remuneration	**31.4**	27.3	**31.0**	27.0
Estimated monetary value of benefits-in-kind	**0.1**	0.1	**0.1**	0.1
Total short term employee benefits	**32.6**	28.3	**32.2**	28.0
Post employment benefits	**3.7**	3.2	**3.7**	3.2
Share-based payments	**4.0**	–	**3.6**	–
	40.3	31.5	**39.5**	31.2
Other key management personnel				
Short term employee benefits	**4.8**	5.0	**–**	–
Post employment benefits	**0.3**	0.3	**–**	–
Share-based payments	**1.3**	–	**–**	–
	6.4	5.3	**–**	–

38. 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 2016.

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 2017 and 30 June 2016.

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.

	Group		Company	
In RM million	**2017**	**2016**	**2017**	**2016**
Borrowings	**7,343.8**	7,381.2	**2,313.6**	2,163.9
Less: Cash and cash equivalents	**(1,522.1)**	(1,938.2)	**(42.6)**	(243.8)
Net debt	**5,821.7**	5,443.0	**2,271.0**	1,920.1
Equity	**7,457.4**	7,138.1	**5,058.2**	4,956.1
Gearing ratio (%)	**78.07**	76.25	**44.90**	38.74

Notes to the Financial Statements

39. 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 Committees, which oversees the management of risk in the Group on behalf of the Board of Directors.

39.1 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.

39.1.1 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.

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.

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.1 Risk management approach (continued)

i. Structural foreign currency exposure from its net investment in foreign operations (subsidiaries, associates, and joint ventures) (continued)

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.

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 a 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

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.1 Risk management approach (continued)

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.

39.1.2 Foreign currency risk exposure

The analysis of the Group's and the Company'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 **2017**								
Financial assets in foreign currencies								
Cash and bank balances	108.0	–	22.1	–	0.1	–	89.4	–
Deposits with financial institutions	21.9	–	–	–	–	–	–	–
Trade and other receivables	651.3	0.2	278.9	–	10.1	–	125.8	–
Amounts due from associates	–	–	–	–	–	–	1.4	–
Derivative assets	559.4	–	–	–	–	–	–	–
Financial liabilities in foreign currencies								
Trade and other payables	(513.5)	–	(67.2)	–	(0.5)	–	(25.8)	–
Amounts due to associates	(2.9)	–	–	–	–	–	(22.3)	–
Borrowings	(1,501.5)	(4,123.6)	(402.7)	(343.9)	–	(805.5)	–	–
Derivative liabilities	(14.4)	–	–	–	–	–	(0.3)	–
Currency derivatives								
Foreign currency forwards	(676.9)	(1.4)	(94.0)	–	(20.2)	–	(161.3)	–
Structured and hybrids	–	74.0	–	(888.8)	–	805.5	–	–
Net exposure	(1,368.6)	(4,050.8)	(262.9)	(1,232.7)	(10.5)	–	6.9	–

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.2 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								
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	–

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.2 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						
2017						
Financial assets in foreign currencies						
Cash and bank balances	**11.3**	**–**	**4.5**	**–**	**26.0**	**–**
Amounts due from subsidiaries	**18.5**	**496.3**	**368.7**	**–**	**9.9**	**–**
Financial liabilities in foreign currencies						
Borrowings	**(1,370.3)**	**(945.0)**	**–**	**–**	**–**	**–**
Amounts due to subsidiaries	**(14.6)**	**(785.1)**	**–**	**–**	**–**	**–**
Currency derivatives						
Structured and hybrids	**–**	**859.1**	**–**	**(888.8)**	**–**	**–**
Net exposure	**(1,355.1)**	**(374.7)**	**373.2**	**(888.8)**	**35.9**	**–**
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	–

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.2 Foreign currency risk exposure (continued)

i. The Group is net short in USD by USD1.3 billion (equivalent to RM5.4 billion) (2016 – USD1.6 billion (equivalent to RM6.5 billion)) where USD0.9 billion (equivalent to RM4.1 billion) (2016 – USD1.0 billion (equivalent to RM4.1 billion)) is due beyond twelve (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

2017

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 cash flow 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 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.

iii. Cross currency swaps to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.1 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 November 2016 to December 2021.

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 cash flow 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 cash flow hedge for the Group's principal repayment for the loan obtained. The effective period for these cross currency swaps was 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.

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.2 Foreign currency risk exposure (continued)

Company

2017

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.

ii. Cross currency swaps to swap USD liability of USD100.0 million to fixed rate EUR liability of EUR90.1 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 November 2016 to December 2021.

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.

39.1.3 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 RM118.2 million (2016 – RM125.1 million) and RM53.9 million (2016 – RM53.9 million) respectively.

39.2 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.

39.2.1 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.

39. FINANCIAL INSTRUMENTS (continued)

39.2 Interest rate risk (continued)

39.2.2 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 the 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								
2017								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	26	**680.4**	–	–	–	–	**680.4**	***2.82***
Deposits with financial institutions	27	**156.6**	–	–	–	–	**156.6**	***2.91***
Amounts due from joint ventures	21.3	–	**25.7**	**6.2**	–	–	**31.9**	***3.50***
		837.0	**25.7**	**6.2**	–	–	**868.9**	
Floating rate instruments								
Cash and bank balances		**685.1**	–	–	–	–	**685.1**	***1.57***
		685.1	–	–	–	–	**685.1**	
Total assets repricing		**1,522.1**	**25.7**	**6.2**	–	–	**1,554.0**	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	31.1	–	–	–	–	**805.5**	**805.5**	***5.34***
Notes	31.4	–	–	–	–	**2,564.3**	**2,564.3**	***4.49***
Trade financing	31.5	**706.3**	–	–	–	–	**706.3**	***1.44***
Finance lease obligation	31	**0.2**	**0.2**	**0.2**	**0.2**	**8.1**	**8.9**	***2.00***
Islamic revolving credit financing facilities	31.6	**382.3**	–	–	–	–	**382.3**	***1.34***
		1,088.8	**0.2**	**0.2**	**0.2**	**3,377.9**	**4,467.3**	
Floating rate instruments								
Amounts due to associates	34	**25.2**	–	–	–	–	**25.2**	***5.99***
Islamic financing facilities	31.2	**2,876.5**	–	–	–	–	**2,876.5**	***2.04***
		2,901.7	–	–	–	–	**2,901.7**	
Total liabilities repricing		**3,990.5**	**0.2**	**0.2**	**0.2**	**3,377.9**	**7,369.0**	
Net repricing gap		**(2,468.4)**	**25.5**	**6.0**	**(0.2)**	**(3,377.9)**	**(5,815.0)**	

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.2 Interest rate risk (continued)

39.2.2 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 assets								
Fixed rate instruments								
Short term funds	26	1,120.1	–	–	–	–	1,120.1	*3.60*
Deposits with financial institutions	27	248.7	–	–	–	–	248.7	*1.85*
Amounts due from joint ventures	21.3	–	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	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	31.1	–	–	–	–	821.0	821.0	*5.15*
Notes	31.4	–	–	–	–	2,396.5	2,396.5	*4.49*
Trade financing	31.5	555.0	–	–	–	–	555.0	*0.27*
Finance lease obligation	31	0.2	0.2	0.1	0.1	7.5	8.1	*2.00*
Islamic revolving credit financing facilities	31.6	357.6	–	–	–	–	357.6	*1.00*
		912.8	0.2	0.1	0.1	3,225.0	4,138.2	
Floating rate instruments								
Amounts due to associates	34	96.7	–	–	–	–	96.7	*5.50*
Islamic financing facilities	31.2	2,781.7	–	–	–	–	2,781.7	*2.10*
Term loans	31.1	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)	

39. FINANCIAL INSTRUMENTS (continued)

39.2 Interest rate risk (continued)

39.2.2 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								
2017								
Interest bearing financial assets								
Fixed rate instruments								
Amounts due from subsidiaries	17.2	**418.0**	–	–	–	496.3	914.3	*4.98*
Amounts due from joint ventures	21.3	–	25.7	6.2	–	–	31.9	*3.50*
		418.0	25.7	6.2	–	496.3	946.2	
Floating rate instruments								
Cash and bank balances		42.6	–	–	–	–	42.6	*0.77*
		42.6	–	–	–	–	42.6	
Total assets repricing		460.6	25.7	6.2	–	496.3	988.8	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	17.2	954.6	–	–	–	785.1	1,739.7	*4.32*
Islamic revolving credit financing facilities	31.6	382.3	–	–	–	–	382.3	*1.34*
		1,336.9	–	–	–	785.1	2,122.0	
Floating rate instruments								
Islamic financing facilities	31.2	1,931.3	–	–	–	–	1,931.3	*2.17*
		1,931.3	–	–	–	–	1,931.3	
Total liabilities repricing		3,268.2	–	–	–	785.1	4,053.3	
Net repricing gap		(2,807.6)	25.7	6.2	–	(288.8)	(3,064.5)	

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.2 Interest rate risk (continued)

39.2.2 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	17.2	845.7	–	–	–	–	845.7	*4.71*
Deposits with financial institutions	27	128.6	–	–	–	–	128.6	*0.83*
Amounts due from joint ventures	21.3	–	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	17.2	1,302.9	–	–	–	601.1	1,904.0	*3.98*
Islamic revolving credit financing facilities	31.6	357.6	–	–	–	–	357.6	*1.00*
		1,660.5	–	–	–	601.1	2,261.6	
Floating rate instruments								
Islamic financing facilities	31.2	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)	

39. FINANCIAL INSTRUMENTS (continued)

39.2 Interest rate risk (continued)

39.2.2 Interest rate risk exposure (continued)

The interest rate swap contracts of the Group and the Company are as follows:

Group

2017

i. Interest rate swaps to swap notional principal amount of USD150.0 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 USD110.0 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 April 2017 to May 2022.

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.

Company

2017

i. Interest rate swaps to swap notional principal amount of USD150.0 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 USD110.0 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 April 2017 to May 2022.

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.

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.2 Interest rate risk (continued)

39.2.3 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 RM1.4 million (2016 – RM0.2 million) and RM0.2 million (2016 – RM0.6 million) respectively.

39.3 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.

39.3.1 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.

39. FINANCIAL INSTRUMENTS (continued)

39.3 Price fluctuation risk (continued)

39.3.2 Price risk exposure

Detailed in the table below is a summary of the Group's and the Company'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.

In RM million	Contract and Notional value < 1 year	Contract and Notional value > 1 year	Contract and Notional value Total	Fair value attributed to price changes at period closing < 1 year	Fair value attributed to price changes at period closing > 1 year	Fair value attributed to price changes at period closing Total
Group						
2017						
Commodity based						
Forward sales contracts	**(792.3)**	**–**	**(792.3)**	**16.2**	**–**	**16.2**
Forward purchase contracts	**894.4**	**–**	**894.4**	**(21.9)**	**–**	**(21.9)**
Commodity derivatives	**145.3**	**–**	**145.3**	**(1.9)**	**–**	**(1.9)**
Equity based						
Other investments	**82.5**	**–**	**82.5**	**103.6**	**–**	**103.6**
				96.0	**–**	**96.0**
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
Company						
2017						
Equity based						
Other investments	**4.0**	**–**	**4.0**	**4.0**	**–**	**4.0**
				4.0	**–**	**4.0**
2016						
Equity based						
Other investments	4.4	–	4.4	4.1	–	4.1
				4.1	–	4.1

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.3 Price fluctuation risk (continued)

39.3.3 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 RM26.3 million (2016 – RM33.1 million) and RM0.3 million (2016 – RM0.3 million) respectively.

39.4 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.

39.4.1 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.

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.1 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 Oleochemical 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

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 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					
2017					
Financial assets					
Cash and bank balances		**685.1**	**–**	**685.1**	(i) Fidelity guarantee and cash-in-transit insurance cover; and (ii) Banks' limited guarantee of deposits
Deposits with financial institutions	27	**156.6**	**–**	**156.6**	
Trade and other receivables, excluded deposits and prepayments		**1,356.2**	**519.7**	**836.5**	Letter of credit and credit insurance
Other investments	24	**103.6**	**–**	**103.6**	
Short term funds	26	**680.4**	**–**	**680.4**	
Amounts due from associates	25	**1.4**	**–**	**1.4**	
Amounts due from joint ventures	21.3	**31.9**	**–**	**31.9**	
Derivative assets	19	**197.0**	**–**	**197.0**	
		3,212.2	**519.7**	**2,692.5**	
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	27	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	24	104.2	–	104.2	
Short term funds	26	1,120.1	–	1,120.1	
Amounts due from associates	25	6.4	–	6.4	
Amounts due from joint ventures	21.3	25.7	–	25.7	
Derivative assets	19	381.2	–	381.2	
		3,501.4	469.6	3,031.8	

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 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					
2017					
Financial assets					
Cash and bank balances		**42.6**	**–**	**42.6**	
Other investments	24	**4.0**	**–**	**4.0**	
Amounts due from subsidiaries	17.2	**914.3**	**–**	**914.3**	
Amounts due from joint ventures	21.3	**31.9**	**–**	**31.9**	
Derivative assets	19	**0.7**	**–**	**0.7**	
		993.5	**–**	**993.5**	
2016					
Financial assets					
Cash and bank balances		115.2	–	115.2	
Deposits with financial institutions	27	128.6	–	128.6	
Other investments	24	4.1	–	4.1	
Amounts due from subsidiaries	17.2	845.7	–	845.7	
Amounts due from joint ventures	21.3	25.7	–	25.7	
Derivative assets	19	2.2	–	2.2	
		1,121.5	–	1,121.5	

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 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 Strong	Medium	Weak	Renegotiated	Past due but not impaired	Total	Impairment charged in reporting period	Impairment at end of reporting period
Group								
2017								
Cash and bank balances	**685.1**	**–**	**–**	**–**	**–**	**685.1**	**–**	**–**
Deposits with financial institutions	**156.6**	**–**	**–**	**–**	**–**	**156.6**	**–**	**–**
Trade and other receivables, excluded deposits and prepayments	**927.4**	**238.7**	**31.5**	**–**	**158.6**	**1,356.2**	**0.4**	**11.5**
Other investments	**103.6**	**–**	**–**	**–**	**–**	**103.6**	**–**	**–**
Short term funds	**680.4**	**–**	**–**	**–**	**–**	**680.4**	**–**	**–**
Amounts due from associates	**1.4**	**–**	**–**	**–**	**–**	**1.4**	**–**	**–**
Amounts due from joint ventures	**31.9**	**–**	**–**	**–**	**–**	**31.9**	**–**	**–**
Derivative assets	**197.0**	**–**	**–**	**–**	**–**	**197.0**	**–**	**–**
	2,783.4	**238.7**	**31.5**	**–**	**158.6**	**3,212.2**	**0.4**	**11.5**
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	–	–
Amounts 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

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 Credit risk exposures and concentration (continued)

In RM million	Neither past due nor impaired Strong	Medium	Weak	Renegotiated	Past due but not impaired	Total	Impairment charged in reporting period	Impairment at end of reporting period
Company								
2017								
Cash and bank balances	**42.6**	**–**	**–**	**–**	**–**	**42.6**	**–**	**–**
Other investments	**4.0**	**–**	**–**	**–**	**–**	**4.0**	**–**	**–**
Amounts due from subsidiaries	**914.3**	**–**	**–**	**–**	**–**	**914.3**	**–**	**1.5**
Amounts due from joint ventures	**31.9**	**–**	**–**	**–**	**–**	**31.9**	**–**	**–**
Derivative assets	**0.7**	**–**	**–**	**–**	**–**	**0.7**	**–**	**–**
	993.5	**–**	**–**	**–**	**–**	**993.5**	**–**	**1.5**
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
Amounts due from joint ventures	25.7	–	–	–	–	25.7	–	–
Derivative assets	2.2	–	–	–	–	2.2	–	–
	1,121.5	–	–	–	–	1,121.5	–	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 86% 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

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 Credit risk exposures and concentration (continued)

In RM million	Past due but not impaired 1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	>120 days	Total	Estimated fair values of collateral and credit enhancement held
Group							
2017							
Trade receivables	**140.4**	**7.7**	**1.5**	**–**	**3.7**	**153.3**	**3.5**
Other receivables	**0.1**	**–**	**4.5**	**0.1**	**0.6**	**5.3**	**–**
	140.5	**7.7**	**6.0**	**0.1**	**4.3**	**158.6**	**3.5**
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

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.

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 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								
2017								
Malaysia	**24.8**	**32**	**179.2**	**14**	**6.4**	**72**	**210.4**	**16**
Europe	**–**	**–**	**555.8**	**44**	**–**	**–**	**555.8**	**41**
Asia (excluding Malaysia)	**52.0**	**68**	**208.3**	**16**	**–**	**–**	**260.3**	**19**
Others	**–**	**–**	**327.2**	**26**	**2.5**	**28**	**329.7**	**24**
	76.8	**100**	**1,270.5**	**100**	**8.9**	**100**	**1,356.2**	**100**
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

	Company			
	2017		2016	
In RM million	Amount	%	Amount	%
Malaysia	**26.6**	**3**	18.1	2
Asia (excluding Malaysia)	**519.0**	**57**	461.7	55
Central and Eastern Europe	**368.7**	**40**	365.9	43
	914.3	**100**	845.7	100

39. FINANCIAL INSTRUMENTS (continued)

39.5 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.

39.5.1 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.

39. FINANCIAL INSTRUMENTS (continued)

39.5 Liquidity and cash flow risk (continued)

39.5.2 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						
2017						
Financial liabilities						
Trade and other payables	**1,118.3**	**–**	**–**	**–**	**–**	**1,118.3**
Borrowings	**2,296.7**	**664.2**	**182.6**	**349.0**	**5,323.0**	**8,815.5**
Amounts due to associates	**26.7**	**–**	**–**	**–**	**–**	**26.7**
Derivative liabilities – net settlement	**91.8**	**–**	**–**	**–**	**23.2**	**115.0**
	3,533.5	**664.2**	**182.6**	**349.0**	**5,346.2**	**10,075.5**
2016						
Financial liabilities						
Trade and other payables	885.4	–	–	–	–	885.4
Borrowings	2,687.8	1,100.0	601.5	307.6	4,324.7	9,021.6
Amounts due to associates	102.0	–	–	–	–	102.0
Derivative liabilities – net settlement	94.5	13.3	–	–	–	107.8
	3,769.7	1,113.3	601.5	307.6	4,324.7	10,116.8
Company						
2017						
Financial liabilities						
Other payables	**7.2**	**–**	**–**	**–**	**–**	**7.2**
Borrowings	**1,412.4**	**493.5**	**12.3**	**12.3**	**482.9**	**2,413.4**
Amounts due to subsidiaries	**1,036.2**	**41.0**	**41.1**	**41.0**	**1,435.8**	**2,595.1**
Derivative liabilities – net settlement	**1.8**	**–**	**–**	**–**	**23.2**	**25.0**
	2,457.6	**534.5**	**53.4**	**53.3**	**1,941.9**	**5,040.7**
2016						
Financial liabilities						
Other payables	10.9	–	–	–	–	10.9
Borrowings	843.8	949.2	450.9	–	–	2,243.9
Amounts due to subsidiaries	1,388.7	30.2	30.2	30.3	1,105.2	2,584.6
Derivative liabilities – net settlement	–	13.3	–	–	–	13.3
	2,243.4	992.7	481.1	30.3	1,105.2	4,852.7

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.5 Liquidity and cash flow risk (continued)

39.5.2 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 twelve (12) months; and

ii. Financial liabilities contractual maturity periods exceeding twelve (12) months are within comfortable levels, and should be well covered by its annual free cash flow to be generated from its operations.

39.6 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				
2017				
Derivatives				
Forward foreign exchange contracts	–	(26.0)	–	(26.0)
Commodity forward contracts	–	(5.7)	–	(5.7)
Commodity futures	(1.9)	–	–	(1.9)
Cross currency swap contracts	–	118.1	–	118.1
Interest rate swap contracts	–	(2.5)	–	(2.5)
Equity based				
Other investments	95.8	–	7.8	103.6
Short term funds	680.4	–	–	680.4
	774.3	83.9	7.8	866.0

39. FINANCIAL INSTRUMENTS (continued)

39.6 Fair values (continued)

Fair value hierarchy (continued)

In RM million	Level 1	Level 2	Level 3	Total
	Fair value of financial instruments carried at fair value — Hierarchy of the underlying variable input used in measuring fair valuation			
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 contracts	–	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

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

In RM million	Level 1	Level 2	Level 3	Total
	Fair value of financial instruments carried at fair value — Hierarchy of the underlying variable input used in measuring fair valuation			
Company				
2017				
Derivatives				
Cross currency swap contracts	**–**	**(21.8)**	**–**	**(21.8)**
Interest rate swap contracts	**–**	**(2.5)**	**–**	**(2.5)**
Equity based				
Other investments	**4.0**	**–**	**–**	**4.0**
	4.0	**(24.3)**	**–**	**(20.3)**
2016				
Derivatives				
Cross currency swap contracts	–	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)

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.6 Fair values (continued)

Fair value hierarchy (continued)

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	2017	2016
Financial assets designated at fair value through profit or loss		
At beginning of financial year	**7.4**	6.7
Total gain recognised in profit or loss	**0.4**	0.7
At end of financial year	**7.8**	7.4

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 financial 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.

39. FINANCIAL INSTRUMENTS (continued)

39.7 Classification of financial instruments

The financial assets and financial 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					
2017					
Financial assets					
Trade and other receivables, net of deposits and prepayments	**1,356.2**	**–**	**–**	**–**	**1,356.2**
Amounts due from associates	**1.4**	**–**	**–**	**–**	**1.4**
Amounts due from joint ventures	**31.9**	**–**	**–**	**–**	**31.9**
Derivative assets	**–**	**197.0**	**–**	**–**	**197.0**
Other investments	**–**	**103.6**	**–**	**–**	**103.6**
Short term funds	**–**	**680.4**	**–**	**–**	**680.4**
Deposits with financial institutions	**156.6**	**–**	**–**	**–**	**156.6**
Cash and bank balances	**685.1**	**–**	**–**	**–**	**685.1**
	2,231.2	**981.0**	**–**	**–**	**3,212.2**
2016					
Financial assets					
Trade and other receivables, net of deposits and prepayments	1,045.7	–	–	–	1,045.7
Amounts due from associates	6.4	–	–	–	6.4
Amounts 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

Notes to the Financial Statements

39. FINANCIAL INSTRUMENTS (continued)

39.7 Classification of financial instruments (continued)

The financial assets and financial 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			
2017			
Financial liabilities			
Borrowings	**7,343.8**	**–**	**7,343.8**
Trade and other payables	**1,118.3**	**–**	**1,118.3**
Amounts due to associates	**25.2**	**–**	**25.2**
Derivative liabilities	**–**	**115.0**	**115.0**
	8,487.3	**115.0**	**8,602.3**
2016			
Financial liabilities			
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

In RM million	Loan and receivables	Fair value through profit or loss	Available for sale	Held to maturity	Total
Company					
2017					
Financial assets					
Amounts due from subsidiaries	**914.3**	**–**	**–**	**–**	**914.3**
Amounts due from joint ventures	**31.9**	**–**	**–**	**–**	**31.9**
Derivative assets	**–**	**0.7**	**–**	**–**	**0.7**
Other investments	**–**	**4.0**	**–**	**–**	**4.0**
Cash and bank balances	**42.6**	**–**	**–**	**–**	**42.6**
	988.8	**4.7**	**–**	**–**	**993.5**
2016					
Financial assets					
Amounts due from subsidiaries	845.7	–	–	–	845.7
Amounts 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

39. FINANCIAL INSTRUMENTS (continued)

39.7 Classification of financial instruments (continued)

The financial assets and financial 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			
2017			
Financial liabilities			
Borrowings	**2,313.6**	**–**	**2,313.6**
Other payables	**7.2**	**–**	**7.2**
Amounts due to subsidiaries	**1,739.7**	**–**	**1,739.7**
Derivative liabilities	**–**	**25.0**	**25.0**
	4,060.5	**25.0**	**4,085.5**
2016			
Financial liabilities			
Borrowings	2,163.9	–	2,163.9
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

40. COMMITMENTS

40.1 Capital Commitments

	Group		Company	
In RM million	2017	2016	2017	2016
Authorised capital expenditure not provided for in the financial statements				
Additions of property, plant and equipment				
– Contracted	**142.9**	57.8	**–**	–
– Not contracted	**272.0**	249.2	**0.1**	0.2

Notes to the Financial Statements

40. COMMITMENTS (continued)

40.2 Operating Lease Commitments

40.2.1 The Group as lessee

The significant non-cancellable operating lease agreements entered into 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	2017	2016
Not later than 1 year	**38.1**	32.2
Later than 1 year and not later than 5 years	**62.7**	72.8
Later than 5 years	**3.2**	3.0
	104.0	108.0

40.2.2 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 not material to the Group.

41. SIGNIFICANT SUBSEQUENT EVENTS

On 12 September 2017, the Company entered into a definitive share purchase agreement ("SPA") with Bunge Limited via its subsidiary, Koninklijke Bunge B.V. ("Bunge") for the disposal of 70.0% equity interest in Loders Croklaan Group B.V. ("Loders") (after the Internal Restructuring in accordance with the terms and conditions of the SPA), for a total consideration of EUR297.0 million plus USD595.0 million, subject to certain adjustment in accordance with the terms and conditions of the SPA ("Proposed Disposal"). Loders is part of the resource-based manufacturing segment of the Group.

As part of the conditions precedent of the SPA, prior to the completion of the Proposed Disposal, the Company will undertake an internal restructuring, whereby Loders will acquire all the Company's equity interest in IOI Lipid Enzymtec Sdn Bhd and IOI Edible Oils (HK) Limited ("Internal Restructuring").

After completion of the Proposed Disposal, Bunge and the Company will hold equity interest of 70.0% and 30.0% in Loders respectively.

The Proposed Disposal is expected to be completed within the next twelve (12) months and is subject to regulatory and other customary approvals, including the approval of the Company's shareholders.

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The subsidiaries, associates and joint ventures, incorporated in Malaysia except otherwise stated, are as follows:

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	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
Morisem 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 Bhd	**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 softwood timber
Ladang Asas Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Ladang Cantawan (Sabah) Sdn Bhd	**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

Notes to the Financial Statements

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	Principal Activities
Direct Subsidiaries (continued)			
Plantation (continued)			
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
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
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

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	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 Global Services Sdn Bhd	**100.0%**	100.0%	Commodities trading activities of palm oil related product, provision of marketing, and management services
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
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
IOI Speciality Fats Sdn Bhd	**100.0%**	100.0%	Dormant
Non-Segment			
IOI Management Sdn Bhd	**100.0%**	100.0%	Provision of treasury management services to its related companies
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) (Dissolved)*	**–**	100.0%	Investment holding
Morisem Consolidated Sdn Bhd	**100.0%**	100.0%	Investment holding
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

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	Principal Activities
Direct Subsidiaries (continued)			
Non-Segment (continued)			
IOI Capital (L) Berhad *(Incorporated in the Federal Territory of Labuan) (Struck-off under Section 151 of the Labuan Companies Act, 1990)*	–	100.0%	Dormant
IOI Resources (L) Berhad *(Incorporated in the Federal Territory of Labuan) (Struck-off under Section 151 of the Labuan Companies Act, 1990)*	–	100.0%	Dormant
IOI Biofuel Sdn Bhd	**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 Bhd	**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
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

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	Principal Activities
Indirect Subsidiaries (continued)			
Plantation (continued)			
Subsidiaries of Pine Capital Sdn Bhd (continued)			
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 softwood timber
Bilprice Development Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	**–**	100.0%	Dormant
Erat Manis Sdn Bhd *(Struck- off under Section 308 of the Companies Act, 1965)*	**–**	100.0%	Dormant
Hidayat Rakyat Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	**–**	100.0%	Dormant
Hidayat Ria Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	**–**	100.0%	Dormant
Kunimas Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	**–**	100.0%	Dormant

Notes to the Financial Statements

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	Principal Activities
Indirect Subsidiaries (continued)			
Plantation (continued)			
Subsidiaries of Syarimo Sdn Bhd (continued)			
Lokoh Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	–	100.0%	Dormant
Muara Julang Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	–	100.0%	Dormant
Pricescore Enterprise Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	–	100.0%	Dormant
Pujian Harum Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	–	100.0%	Dormant
Unikhas Corporation Sdn Bhd *(Struck-off under Section 308 of the Companies Act, 1965)*	–	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
Subsidiaries of Oleander Capital Resources Pte Ltd			
PT Berkat Agro Sawitindo* *(Incorporated in the Republic of Indonesia)*	**75.9%**	75.9%	Investment holding
PT Sawit Nabati Agro* *(Incorporated in the Republic of Indonesia)*	**75.9%**	75.9%	Investment holding

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	Principal Activities
Indirect Subsidiaries (continued)			
Plantation (continued)			
Subsidiaries of PT Sawit Nabati Agro			
PT Bumi Sawit Sejahtera* *(Incorporated in the Republic of Indonesia)*	**75.9%**	75.9%	Cultivation of oil palm
PT Berkat Nabati Sejahtera* *(Incorporated in the Republic of Indonesia)*	**75.9%**	75.9%	Cultivation of oil palm
PT Sukses Karya Sawit* *(Incorporated in the Republic of Indonesia)*	**75.9%**	75.9%	Cultivation of oil palm
PT Ketapang Sawit Lestari* *(Incorporated in the Republic of Indonesia)*	**75.9%**	75.9%	Pre-operating
PT Kalimantan Prima Agro Mandiri* *(Incorporated in the Republic of Indonesia)*	**75.9%**	–	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

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	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*	**100.0%**	100.0%	Manufacture and sale of fatty acids and glycerine and other related products
IOI Derichem 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
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

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	2016	Principal Activities
Indirect Subsidiaries (continued)			
Resource-based Manufacturing (continued)			
Subsidiaries of IOI Acidchem Sdn Bhd			
IOI Oleo GmbH* *(Incorporated in Germany)*	**100.0%**	100.0%	Manufacture and sale of oleochemical specialty product
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

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	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)* *(In liquidation)*	**100.0%**	100.0%	Sales, marketing, development and distribution of nutrition lipid betapol business
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%**	100.0%	Procurement and development of raw material for specialty fats application (Shea)
Loders Croklaan Malaysia Sdn Bhd	**100.0%**	100.0%	Dormant
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

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	2016	Principal Activities
Indirect Subsidiaries (continued)			
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
Care Security Services Sdn Bhd* *(In the progress of striking-off under Section 550 of the Companies Act 2016)*	**100.0%**	100.0%	Dormant
Palmco Jaya Sendirian Berhad*	**100.0%**	100.0%	Provision of bulk cargo warehousing facilities
Palmco International (HK) Limited* *(Incorporated in Hong Kong)*	**100.0%**	100.0%	Investment holding
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
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.*

Notes to the Financial Statements

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2017	Effective Group Interest 2016	Principal Activities
Associates			
Plantation			
Reka Halus Sdn Bhd	**30.0%**	30.0%	Cultivation of oil palm and processing of palm oil
Associate of Lynwood Capital Resources Pte Ltd and Oakridge Investments Pte Ltd			
Bumitama Agri Ltd *(Incorporated in Singapore)*	**31.8%**	31.7%	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%**	50.0%	Dormant

43. AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2017 were authorised for issue by the Board of Directors on 13 September 2017.

44. 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	2017	2016	2017	2016
Total retained profits of the Company and its subsidiaries				
Realised	**8,142.9**	8,526.8	**4,516.9**	5,128.2
Unrealised	**1,955.1**	2,387.8	**(261.6)**	(192.5)
	10,098.0	10,914.6	**4,255.3**	4,935.7
Total share of retained profits from associates				
Realised	**397.0**	285.1	**–**	–
Unrealised	**159.9**	117.8	**–**	–
Total share of accumulated losses from joint ventures				
Realised	**(15.4)**	(12.0)	**–**	–
Unrealised	**–**	–	**–**	–
	10,639.5	11,305.5	**4,255.3**	4,935.7
Less: Consolidation adjustments	**(4,004.3)**	(4,110.6)	**–**	–
	6,635.2	7,194.9	**4,255.3**	4,935.7

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 132 to 234 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 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 2017 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 44 to the financial statements on page 235 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:

Tan Sri Dato' Lee Shin Cheng
Executive Chairman

Dato' Lee Yeow Chor
Chief Executive Officer

Putrajaya
13 September 2017

Statutory Declaration

I, Kong Kian Beng, 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 132 to 235 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	)	**Kong Kian Beng**
at Puchong, Selangor Darul Ehsan	)	
this 13 September 2017	)	

Before me

Ng Say Jin
Commissioner for Oaths
No. B195

Independent Auditors' Report

To The Members of IOI Corporation Berhad

(Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of IOI Corporation Berhad, which comprise the statements of financial position as at 30 June 2017 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 132 to 234.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

KEY AUDIT MATTERS

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

(a) Impairment assessment of the carrying amounts of goodwill

Goodwill of the Group is allocated to two (2) Cash Generating Units ("CGUs") identified according to the operating segments. Management has considered that plantation and resource-based manufacturing as the operating segments of the Group, with carrying amounts of RM128.5 million and RM333.6 million respectively as disclosed in Note 16.1 to the financial statements.

There has been no impairment loss on goodwill recorded by management in the current financial year.

We have focused on this impairment assessment as the process is complex and it requires significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the CGUs in determining the recoverable amounts based on value-in-use. These key assumptions include projected growth in future revenues and profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Our audit procedures included the following:

(i) compared short-term cash flow projections against recent performance and historical accuracy of budgets/forecasts and challenged assumptions in projections to available external industry sources of data, where applicable;

(ii) evaluated the reasonableness of projected profit margins and growth rates by assessing evidence available to support the assumptions and their consistency with findings from other areas of our audit;

(iii) evaluated the reasonableness of pre-tax discount rate used by management for each CGU by comparing to the market data, weighted average cost of capital of the Group and relevant risk factors; and

(iv) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

Independent Auditors' Report

To The Members of IOI Corporation Berhad
(Incorporated In Malaysia)

KEY AUDIT MATTERS (continued)

(b) Accounting for derivative financial instruments

The Group uses derivative financial instruments such as forward foreign exchange contracts, commodity forward and futures contracts, cross currency swap contracts and interest rate swap contracts to hedge its risks associated with foreign currency, commodity price fluctuations and interest rates, as set out in Note 19 to the financial statements.

As at 30 June 2017, total derivative financial instruments that were carried at fair value comprised financial assets and financial liabilities of RM197.0 million and RM115.0 million respectively.

In deriving at the fair value of the derivative financial instruments, significant judgments are involved and is subject to estimation uncertainty as subjective variables are used in order to determine the fair value.

Our audit procedures included the following:

(i) obtained an understanding on the overall commodity trading process and treasury function of derivative financial instruments;

(ii) read and discussed with management on the analysis of the contractual terms and evaluated the accounting treatments adopted by management, including the reasons for entering into derivative financial instruments;

(iii) obtained computations of management in deriving fair value of derivative financial instruments and compared and challenged the appropriateness of the key inputs used to determine the fair value against observable market data, where applicable; and

(iv) vouched to statements and/or confirmations from banks and other financial institutions to compare the fair values of the derivative financial instruments recorded in the accounting system, where applicable.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or errors.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

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

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

Independent Auditors' Report

To The Members of IOI Corporation Berhad
(Incorporated In Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 42 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 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

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Tang Seng Choon
2011/12/17 (J)
Chartered Accountant

Kuala Lumpur
13 September 2017

Group Properties

A. PLANTATION ESTATES

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Year of Acquisition	Net Carrying Amount as at 30 June 2017 RM million
Pahang Darul Makmur						
Bukit Dinding Estate, Bentong	Freehold	1,660	OP	–	1983	116.3
Pukin Estate, Pekan Rompin	Leasehold expiring 2071, 2074, 2077	2,428	OP	1	1985	131.3
Mekassar Estate, Pekan Rompin	Leasehold expiring 2075	1,209	OP	–	1985	65.0
Detas Estate, Pekan	Leasehold expiring 2081	2,226	OP	–	1989	135.5
Bukit Leelau Estate, Pekan	Leasehold expiring 2088	2,088	OP	1	1989	117.2
Merchong Estate, Pekan	Leasehold expiring 2075	1,934	OP	–	1990	103.3
Leepang A Estate, Rompin	Leasehold expiring 2067	2,322	OP	–	2000	115.5
Laukin A Estate, Rompin	Leasehold expiring 2067	1,565	OP	–	2000	77.3
Shahzan IOI Estate 1, Rompin	Leasehold expiring 2062	1,562	OP	–	2002	70.2
Shahzan IOI Estate 2, Rompin	Leasehold expiring 2062	1,640	OP	–	2002	55.8
Negeri Sembilan Darul Khusus						
Regent Estate, Tampin	Freehold	2,300	OP	–	1990	157.7
Bahau Estate, Kuala Pilah	Freehold	2,553	OP	–	1990	172.7
Kuala Jelei Estate, Kuala Pilah	Freehold	679	OP	–	1990	45.7
Johor Darul Takzim						
Gomali Estate, Segamat	Freehold	2,562	OP R	1	1990	190.2
Paya Lang Estate, Segamat	Freehold	2,446	OP R	–	1990	171.4
Tambang Estate, Segamat	Freehold	2,011	OP	–	1990	138.9
Bukit Serampang Estate, Tangkak	Freehold	2,564	OP	–	1990	172.7
Kahang Estate, Kluang	Leasehold expiring 2082	2,420	OP	–	1990	117.1
Sagil Estate, Tangkak	Freehold	2,547	OP	–	1990	177.7
Segamat Estate, Segamat	Freehold	1,340	OP	–	1990	91.4
Pamol Plantations Estate, Kluang	Freehold	8,109	OP	1	2003	590.6
Sabah						
Morisem 1 Estate, Kinabatangan	Leasehold expiring 2080	2,032	OP	–	1993	51.0
Morisem 2 Estate, Kinabatangan	Leasehold expiring 2038, 2087, 2090	2,042	OP	–	1993-2009	61.6
Morisem 3 Estate, Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	–	1993	46.2
Morisem 4 Estate, Kinabatangan	Leasehold expiring 2089	2,023	OP	–	1993	45.7
Morisem 5 Estate, Kinabatangan	Leasehold expiring 2078	1,878	OP	–	1993	40.1
Baturong 1-3 Estates, Kunak	Leasehold expiring 2081	7,485	OP	1	1991	250.9

Group Properties

A. PLANTATION ESTATES (continued)

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Year of Acquisition	Net Carrying Amount as at 30 June 2017 RM million
Sabah (continued)						
Halusah Estate, Lahad Datu	Leasehold expiring 2076, 2078	813	OP	–	1991	16.3
Syarimo 1-9 Estates, Kinabatangan	Leasehold expiring 2035, 2077-2097, 2963-2990	18,417	OP	1	1985-2000	527.1
Permodalan Estate, Kinabatangan	Leasehold expiring 2078	8,094	OP	–	1995	141.3
Laukin Estate, Sugut	Leasehold expiring 2077	2,128	OP	–	1996	57.0
Sakilan Estate, Sandakan	Leasehold expiring 2887	2,296	OP	1	1996	97.5
Ladang Sabah Estates, Labuk-Sugut	Leasehold expiring 2077, 2082, 2087, 2089	12,228	OP	1	1998-2003	368.3
Cantawan Estate, Lahad Datu	Leasehold expiring 2061, 2066, 2078-2080	1,452	OP	–	1998	35.6
Tas Estate, Kinabatangan	Leasehold expiring 2077	1,209	OP	–	1998	26.6
Tangkulap Estate, Labuk-Sugut	Leasehold expiring 2080-2086	2,277	OP	–	2001	125.0
Bimbingan Estate, Labuk-Sugut	Leasehold expiring 2083	3,893	OP	–	2001	149.6
Pamol Plantations, Labuk-Sugut	Leasehold expiring 2037, 2081, 2097	1,792	OP	–	2003-2007	50.6
Pamol Estates, Labuk-Sugut	Leasehold expiring 2888	8,186	OP	1	2003	383.1
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	162.6
Mayvin 1-2 Estates, Labuk-Sugut	Leasehold expiring 2079-2081, 2090, 2092	3,423	OP	1	2003	113.3
Mayvin 5-6 Estates, Kinabatangan	Leasehold expiring 2082	3,602	OP	–	2003	113.5
Leepang 1-5 Estates, Kinabatangan	Leasehold expiring 2030-2039, 2078-2102	10,031	OP	2	2003-2009	235.8
Unico 1-5 Estates, Kinabatangan	Leasehold expiring 2081-2101	11,396	OP	1	2013	612.4
Unico 6 Estate, Lahad Datu	Leasehold expiring 2074, 2077-2079	2,264	OP	1	2013	165.7
Sarawak						
Sejap Estate, Baram	Leasehold expiring 2058	4,960	OP	–	2002	23.9
Tegai Estate, Baram	Leasehold expiring 2067, 2095	4,038	OP	–	2002	23.2

OP Oil palm
R Rubber

B. INVESTMENT PROPERTY

Location	Tenure	Land Area	Net Lettable Area	Usage	Age of Building (Year)	Net Carrying Amount as at 30 June 2017 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	22	6.9

C. INDUSTRIAL PROPERTIES

Location	Tenure	Land Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2017 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	20	1995	93.1
Lorong Perusahaan Satu Prai Industrial Complex 13600 Prai Penang	Leasehold expiring between 2035-2071	180,263 sq m	Offices and factory sites Factory site	38 2-16	2001	66.0 33.8
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai Penang	Leasehold expiring 2025	13,400 sq m	Bulk cargo terminal	43	2001	0.2
Deep Water Wharves 12100 Butterworth Penang	Leasehold expiring 2030	5,663 sq m	Bulking installation	43	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	27-36	2005	134.1
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	30	2007	18.3

Group Properties

C. INDUSTRIAL PROPERTIES (continued)

Location	Tenure	Land Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2017 RM million
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	28	2001	–
Durkee Road 24708 W Channahon Illinois United States	Freehold	36 hectares	Specialty oils and fats manufacturing facilities	15-47	2002	85.2
Tradepoint Atlantic Land Condominium Land Unit 1 Baltimore County Maryland 21219 United States	Freehold	101,171 sq m	Vacant land	–	2017	39.4
Loders Croklaan Hogeweg 1, 1520 Wormerveer The Netherlands	Freehold	6 hectares	Specialty oils and fats manufacturing facilities	26-47	2002	118.5
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	12-16	2004	253.7
195 Belfield Rd. Rexdale, Ontario M9W-1G8 Canada	Freehold	9,308 sq m	Specialty oils and fats manufacturing facilities	41	2002	10.6
Industrial Park III Lots 15 & 16 Jundiai Brazil	Freehold	12,031 sq m	Vacant land	–	2010	4.6
Dusun Arang-Arang Air Hitam Hulu Kecamatan Kendawangan Kabupaten Ketapang Kalimantan Barat, Indonesia	*	122,444 sq m	Palm oil mill	3	^	37.3
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	33.0

C. INDUSTRIAL PROPERTIES (continued)

Location	Tenure	Land Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2017 RM million
Zur Hafenspitze 15 19322 Wittenberge Germany	Freehold	60,000 sq m	Factory complex	16	2016	11.2
Arthur-Imhausen-Strasse 92 D-58453 Witten Germany	Perpectual lease	24,000 sq m	Factory complex	26	2016	40.8

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 2017 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	37	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
Country lease 115325534 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2914	2 hectares	Vacant land	–	1993	0.1

Group Properties

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 2017 RM million
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	16	1993	–
Country lease 075349343, 075349352 Lot 34, Phase 7A Northern Ring Road Sandakan Sabah	Leasehold expiring 2882	417 sq m	3 storey shop/office	3	2015	1.3
302-H, Jalan Relau Desaria, 11900 Sg Ara Penang	Freehold	167 sq m	Shoplot	22	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-Eighth ("**48th**") 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 Monday, 30 October 2017 at 10:00 am for the following purposes:

AGENDA

1 To receive the Audited Financial Statements for the financial year ended 30 June 2017 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 Constitution:

(i) Mr Lee Cheng Leang **Resolution 1**

(ii) Mr Lee Yeow Seng **Resolution 2**

(Please refer to Note B)

3 To re-elect Tan Sri Dr Rahamat Bivi binti Yusoff, a Director retiring pursuant to Article 102 of the Company's Constitution. **Resolution 3**

(Please refer to Note B)

4 To re-appoint the following Directors who were re-appointed at the Forty-Seventh Annual General Meeting held on 28 October 2016 to hold office until this Annual General Meeting pursuant to Section 129(6) of the then Companies Act, 1965 which the provision has since been repealed, shall continue to remain as the Executive Chairman and the Senior Independent Non-Executive Director, respectively:

(i) Tan Sri Dato' Lee Shin Cheng **Resolution 4**

(ii) Tan Sri Peter Chin Fah Kui **Resolution 5**

(Please refer to Note B)

5 To consider and if thought fit, to pass the following Resolution:

"THAT the payment of Directors' fees (inclusive of Board Committees' fees) of RM1,220,784 for the financial year ending 30 June 2018 payable quarterly in arrears after each month of completed service of the Directors during the financial year be and is hereby approved." **Resolution 6**

(Please refer to Note C)

6 To approve the payment of Directors' benefits (other than Directors' fees) of up to RM300,000 for the period from 31 January 2017 until the next Annual General Meeting. **Resolution 7**

(Please refer to Note C)

7 To re-appoint Messrs BDO, the retiring auditors for the financial year ending 30 June 2018 and to authorise the Audit and Risk Management Committee to fix their remuneration. **Resolution 8**

(Please refer to Note D)

Notice of Annual General Meeting

8 As special business, to consider and if thought fit, to pass the following Resolutions:

8.1 Authority to Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016

"THAT pursuant to Section 76 of the Companies Act 2016, 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 9**

8.2 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, to purchase, from time to time during the validity of the approval and authority under this resolution, such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("**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 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 10**

8.3 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 2016 ("**the Act**"), the Constitution 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 2017 ("**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 340(2) of the Act *(but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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 11**

9 To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board,

Vincent Tan Choong Khiang
Secretary (MAICSA 7018448)

Putrajaya
29 September 2017

Notice of Annual General Meeting

Notes

1 All the above resolutions are proposed as ordinary resolutions. For any of the ordinary resolutions listed above to be passed at the AGM, more than half the votes cast must be in favour of the resolutions.

Voting on all resolutions to be proposed at the AGM will be by way of a poll. The Board believes a poll is more representative of shareholders' voting intentions because shareholders' votes are counted according to the number of shares held.

2 A shareholder may appoint any person to be his proxy and there shall be no restriction as to the qualification of the proxy.

3 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.

4 Subject to Note 5 below, a shareholder shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. If a shareholder 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.

5 Where a shareholder 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 Section 25A(1) of the SICDA.

6 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.

7 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.

8 Only shareholders whose names appear in the Record of Depositors and Register of Members as at **20 October 2017** shall be eligible to attend the AGM or appoint proxy to attend and vote on his behalf.

9 Any corporation which is a shareholder can appoint one (1) or more corporate representatives who may exercise on its behalf all of its power as a shareholder in accordance with the Companies Act 2016.

10 By submitting the proxy form, the shareholder accepts and agrees to the collection, use and disclosure of the shareholder's 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).

11 **Note A – To receive Audited Financial Statements for the financial year ended 30 June 2017**

This Agenda item is meant for discussion only as under the provision of Section 340(1) of the Companies Act 2016, the audited financial statements do not require a formal approval of the shareholders. Hence, this resolution will not put forward for voting.

The 2017 Annual Report (which includes the Financial Report, the Directors' Report and the Independent Auditors' Report) will be presented to the meeting. Shareholders can access a copy of the 2017 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 Group's performance.

Shareholders will also be given an opportunity to ask the representative(s) of the Company's auditors, Messrs BDO, questions relevant to audit matters, including the Auditors' Report.

12 **Note B – To re-elect Directors/To re-appoint Directors**

i Re-election of Directors

Mr Lee Cheng Leang, Mr Lee Yeow Seng and Tan Sri Dr Rahamat Bivi binti Yusoff, who shall retire in accordance with Articles 101 or 102 of the Company's Constitution respectively, are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 48th AGM.

The Company's Constitution 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 and it further states that a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall be eligible for re-election.

ii Re-appointment of Directors

With reference to Ordinary Resolutions 4 and 5, Tan Sri Dato' Lee Shin Cheng and Tan Sri Peter Chin Fah Kui were re-appointed as Directors at the Forty-Seventh ("47th") AGM to hold office until the conclusion of the 48th AGM under Section 129(6) of the then Companies Act, 1965, which the provision has since been repealed. If passed, the Ordinary Resolutions 4 and 5 will authorise the continuation of the Directors in office from the date of the 48th AGM and they shall be subject to retirement by rotation from office once at least in each three (3) years thereafter.

Each of the Directors standing for re-election/re-appointment has undergone a performance evaluation and has demonstrated that he/she 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 nine (9) Directors, consisting of an Executive Chairman, two (2) Executive Directors and six (6) 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. Detailed profile of each Director, including their career history, competencies and experience can be found from pages 50 to 55 of the 2017 Annual Report.

13 **Note C – To approve Directors' fees and benefits payable**

The Governance, Nominating and Remuneration Committee and the Board have 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 2018 shall be payable quarterly in arrears after each month of completed service of the Directors during the financial year.

The Directors' benefits (other than Directors' fees and Board Committees' fees) comprise attendance allowances and other benefits such as insurance coverage, retirement farewell gift and other claimable benefits. In determining the estimated total amount of Directors' benefits, the Board has considered various factors, among others, the estimated number of meetings for the Board and its Committees and estimated proportionate paid and payable insurance premium.

14 **Note D – To re-appoint auditors**

The Company's Auditors must offer themselves 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 ("BDO") be re-appointed and its remuneration be determined by the Audit and Risk Management Committee. The representatives of BDO will be present at the 48th AGM.

15 **Explanatory Notes on Special Businesses**

i Authority to Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016 (the "Act")

Ordinary Resolution 9 is to seek a renewal of the general mandate which was approved at the 47th AGM of the Company held on 28 October 2016 and which will lapse at the conclusion of the forthcoming AGM to be held on 30 October 2017.

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 the Ordinary Resolution 9, 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 then Companies Act, 1965 (now equivalent Section 76 of the Act) under the general mandate which was approved at the 47th 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 10 is to seek a renewal of the authority granted at the 47th AGM of the Company held on 28 October 2016 and which will lapse at the conclusion of the forthcoming AGM to be held on 30 October 2017. The resolution authorises the Company to make market purchases of its own ordinary shares as permitted by the Companies Act 2016.

The Board seeks authority to purchase up to ten percent (10%) of the Company's issued share capital, 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 asset value per share for the remaining shareholders and would be in the best interests of the Company generally, having due regard to appropriate gearing levels, alternative investment opportunities and the overall financial position of the Company.

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. The Company had on 29 June 2017 cancelled all its 177,956,200 treasury shares.

Please refer to explanatory information in the Share Buy-Back Statement dated 29 September 2017.

iii Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 11 is to seek approval from the shareholders for renewal of the shareholders' mandate granted by the shareholders of the Company at the 47th AGM held on 28 October 2016. 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 2017.

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-Eighth 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 Constitution of the Company are as follows:

- Mr Lee Cheng Leang
- Mr Lee Yeow Seng

(b) Tan Sri Dr Rahamat Bivi binti Yusoff will be retiring and standing for re-election pursuant to Article 102 of the Constitution of the Company.

(c) The Directors seeking for re-appointment 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 50 to 55 of the 2017 Annual Report.

Their shareholdings in the Company and its related corporations are set out in the section entitled "Statement of Directors' Interests" on page 117 of the 2017 Annual Report.

Shareholders' Information
as at 28 August 2017

Type of shares	:	Ordinary shares
Voting rights	:	One vote per shareholder on a show of hands One vote per ordinary share on a poll
Number of shareholders	:	22,436

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of holders	Total holdings	%
1 – 99	2,300	28,523	0.00
100 – 1,000	4,408	3,394,715	0.05
1,001 – 10,000	11,441	44,627,818	0.71
10,001 – 100,000	3,478	93,459,758	1.49
100,001 – 314,192,998	807	2,879,217,728	45.82
314,192,999 and above	2	3,263,131,453	51.93
Total	**22,436**	**6,283,859,995**	**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	1,324,845,480	21.08
2.	Vertical Capacity Sdn Bhd	763,300,000	12.15
3.	Vertical Capacity Sdn Bhd	616,162,900	9.80
4.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	558,823,073	8.89
5.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera*	275,000,000	4.38
6.	Cartaban Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for Bank J. Safra Sarasin Ltd, Singapore Branch*	200,916,300	3.20
7.	Kumpulan Wang Persaraan (Diperbadankan)	191,576,340	3.05
8.	Annhow Holdings Sdn Bhd	123,372,300	1.96
9.	AmanahRaya Trustees Berhad *Amanah Saham Wawasan 2020*	90,189,367	1.43
10.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – AmBank Islamic Berhad for Vertical Capacity Sdn Bhd*	89,000,000	1.42
11.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia – Permodalan Nasional Berhad*	80,259,600	1.28
12.	Cartaban Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for State Street Bank & Trust Company*	71,521,880	1.14
13.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Vertical Capacity Sdn Bhd*	70,000,000	1.11
14.	HSBC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Vertical Capacity Sdn Bhd*	62,000,000	0.99

Shareholders' Information
as at 28 August 2017

LIST OF TOP 30 SHAREHOLDERS (continued)

Name		No. of shares held	%
15.	HSBC Nominees (Asing) Sdn Bhd *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	58,790,978	0.93
16.	Cartaban Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for Bank J. Safra Sarasin Ltd, Singapore Branch*	54,000,000	0.86
17.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for Public Ittikal Fund*	45,000,000	0.72
18.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Total International Stock Index Fund*	41,428,286	0.66
19.	Cartaban Nominees (Tempatan) Sdn Bhd *PAMB for Prulink Equity Fund*	40,842,501	0.65
20.	AMSEC Nominees (Tempatan) Sdn Bhd *MTrustee Berhad for CIMB Islamc Dali Equity Growth Fund*	38,204,117	0.61
21.	Malaysia Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Vertical Capacity Sdn Bhd*	38,000,000	0.60
22.	Citigroup Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for UBS AG Singapore*	35,864,400	0.57
23.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad*	35,650,313	0.57
24.	Lembaga Tabung Haji	35,108,200	0.56
25.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Rickoh Holdings Sdn Bhd*	32,500,000	0.52
26.	AmanahRaya Trustees Berhad *AS 1Malaysia*	28,705,500	0.46
27.	Permodalan Nasional Berhad	27,382,300	0.44
28.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for AIA Berhad*	27,354,181	0.43
29.	AmanahRaya Trustees Berhad *Public Islamic Dividend Fund*	27,160,333	0.43
30.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kim Heung*	27,000,000	0.43
	Total	**5,109,958,349**	**81.32**

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	*2,976,489,180	47.37
Puan Sri Datin Hoong May Kuan	–	–	**3,043,575,280	48.43
Dato' Lee Yeow Chor	9,000,400	0.14	***2,963,308,380	47.16
Lee Yeow Seng	4,180,400	0.07	***2,963,308,380	47.16
Vertical Capacity Sdn Bhd	2,963,308,380	47.16	–	–
Progressive Holdings Sdn Bhd	–	–	#2,963,308,380	47.16
Employees Provident Fund Board	582,856,673	9.28	–	–

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 pursuant to Section 8 of the Companies Act 2016 (the "Act").*

** *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 pursuant to Section 8 of the Act.*

Deemed interested by virtue of its interest in VC, a wholly-owned subsidiary pursuant to Section 8 of the Act.

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IOI CORPORATION BERHAD (Company Registration No. 9027-W)
(Incorporated in Malaysia)

IOI GROUP

Proxy Form

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/proxies to vote for me/us on my/our behalf at the **Forty-Eighth 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 **Monday, 30 October 2017** 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 "**X**" 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)*

		First Proxy "A"		Second Proxy "B"	
No.	**Ordinary Resolutions**	**For**	**Against**	**For**	**Against**
1.	To re-elect Mr Lee Cheng Leang as a Director				
2.	To re-elect Mr Lee Yeow Seng as a Director				
3.	To re-elect Tan Sri Dr Rahamat Bivi binti Yusoff as a Director				
4.	To re-appoint Tan Sri Dato' Lee Shin Cheng as a Director				
5.	To re-appoint Tan Sri Peter Chin Fah Kui as a Director				
6.	To approve Directors' Fees (inclusive of Board Committees' fees) for the financial year ending 30 June 2018 payable quarterly in arrears				
7.	To approve the payment of Directors' benefits for the period from 31 January 2017 until the next AGM				
8.	To re-appoint Messrs BDO as Auditors and to authorise the Audit and Risk Management Committee to fix their remuneration				
9.	To authorise the Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016				
10.	To approve the proposed renewal of existing share buy-back authority				
11.	To approve the proposed renewal of shareholders' mandate for recurrent related party transactions				

Dated this ______________ day of ______________ 2017

** Delete if inapplicable.*

____
Signature of Shareholder/Common Seal

Notes:

1 All the above resolutions are proposed as ordinary resolutions. For any of the ordinary resolutions listed above to be passed at the AGM, more than half the votes cast must be in favour of the resolutions.

Voting on all resolutions to be proposed at the AGM will be by way of a poll. The Board believes a poll is more representative of shareholders' voting intentions because shareholders' votes are counted according to the number of shares held.

2 A shareholder may appoint any person to be his proxy and there shall be no restriction as to the qualification of the proxy.

3 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.

4 Subject to Note 5 below, a shareholder shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. If a shareholder 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.

5 Where a shareholder 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.

6 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.

7 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.

8 Only shareholders whose names appear in the Record of Depositors and Register of Members as at **20 October 2017** shall be eligible to attend the AGM or appoint proxy to attend and vote on his behalf.

9 Any corporation which is a shareholder can appoint one (1) or more corporate representatives who may exercise on its behalf all of its power as a shareholder in accordance with the Companies Act 2016.

Personal Data Privacy

By submitting the proxy form, the shareholder accepts and agrees to the collection, use and disclosure of the shareholder's 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

2nd fold here

IOI CORPORATION BERHAD (9027-W)
Two IOI Square, IOI Resort, 62502 Putrajaya, Malaysia

www.ioigroup.com