IOI GROUP

ANNUAL REPORT **2018**

FORTIFYING STRENGTHS

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."

FORTIFYING STRENGTHS

IOI Corporation Berhad ("IOI") continuously strives to realise the potential and value of its businesses. In 2017, the Group embarked on a strategic path to leverage on the power of collaboration by partnering with a leading agribusiness and food company which has a wider global presence. The move has led to an expanded market that further fortifies IOI's palm oil supply chain and strengthens its business network, expertise and value creation in the plantation and resource-based manufacturing industries. "Fortifying Strengths" refers to the commitment to constantly overcome challenges and capitalise on new opportunities to ensure greater long-term growth and sustainability for the Group.

ABOUT IOI CORPORATION BERHAD

IOI Corporation Berhad ("IOI"), listed on the Main Market of Bursa Malaysia Securities Berhad, is a leading global integrated and sustainable palm oil player. Employing more than 28,000 people in several countries, it is a fully integrated company that undertakes the plantation and resource-based manufacturing businesses. Its plantation business covers Malaysia and Indonesia while 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, these IOI CORE VALUES:

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

AT A GLANCE

Dividend Per Share

20.5 SEN

2017 – 9.5 sen

Profit Attributable to Owners of the Parent

RM3.06 BILLION

2017 – RM0.74 billion

Share Price

RM4.54

2017 – RM4.45

Earnings Per Share

48.70 SEN

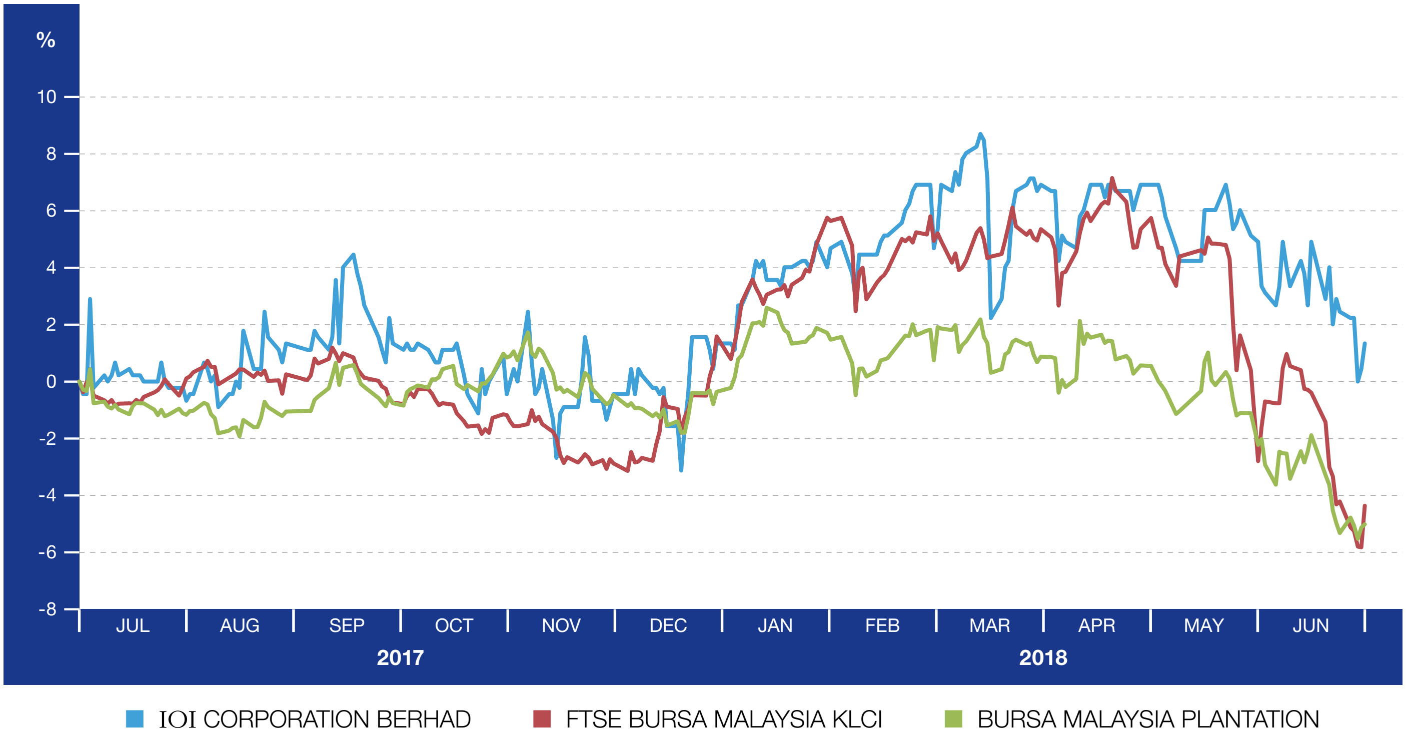
2017 – 11.82 sen

Market Capitalisation

RM28.53 BILLION

2017 – RM27.96 billion

KEY INDICATORS



In RM million unless otherwise stated	**2018 MFRS**	2017 MFRS	2016 MFRS	2015 MFRS	2014 FRS
FINANCIAL					
Profit before interest and taxation from continuing operations	**1,380.6**	1,401.4	1,459.6	1,237.6	1,921.5
Profit attributable to owners of the parent	**3,060.5**	743.2	629.7	51.9	3,373.0
Equity attributable to owners of the parent	**9,156.3**	7,457.4	7,138.1	7,069.0	6,036.8
Return on average shareholders' equity (%)	**36.84**	10.18	8.86	0.68	34.27
Basic earnings per share (sen)	**48.70**	11.82	9.99	0.82	52.93
Dividend per share (sen)	**20.5**	9.5	8.0	9.0	20.0
PLANTATION					
FFB production (MT)	**3,514,857**	3,155,628	3,145,317	3,542,222	3,506,706
Total oil palm area (Ha)	**174,081**	174,396	179,271	178,768	174,061
MANUFACTURING					
Oleochemical					
Plant utilisation (%)	**83**	80	82	85	84
Sales (MT)	**573,005**	582,458	595,820	586,076	583,555
Refinery					
Plant utilisation (%)	**69**	63	62	66	68
Sales (MT)	**2,152,800**[1]	2,414,773	2,427,326	2,591,197	2,706,786
Specialty oils and fats					
Plant utilisation (%)	**54**	57	47	52	50
Sales (MT)	**578,665**[1]	766,188	782,972	773,767	735,099

Note:
[1] The sales (MT) of FY2018 includes eight (8) months' results of discontinued operations.

In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the above information from FY2015 to FY2018 have been prepared in accordance with MFRS, whereas information of FY2014 has been prepared in accordance with Financial Reporting Standards ("FRS").

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49th AGM

IOI CORPORATION BERHAD (9027-W)

Venue : Millennium Ballroom 1 (Level 1),
Le Meridien Putrajaya,
Lebuh IRC, IOI Resort City,
62502 Putrajaya,
Malaysia.

Date : Friday, 26 October 2018

Time : 10:00 am

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 2018 ("FY2018").

CHAIRM STATEME

TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

OPERATING ENVIRONMENT

During the review period, the global economy experienced an increase in growth with some major economies like the United States ("US"), the Euro Area and China registering growth at 2.3%, 2.4% and 6.9% respectively in 2017. However, since the second quarter of 2018, protectionist measures in the form of tariff increases by the US and retaliatory measures by its trading partners, especially China, leading to escalating trade conflicts have taken a toll on global trade, investments and investor sentiment.

AN'S
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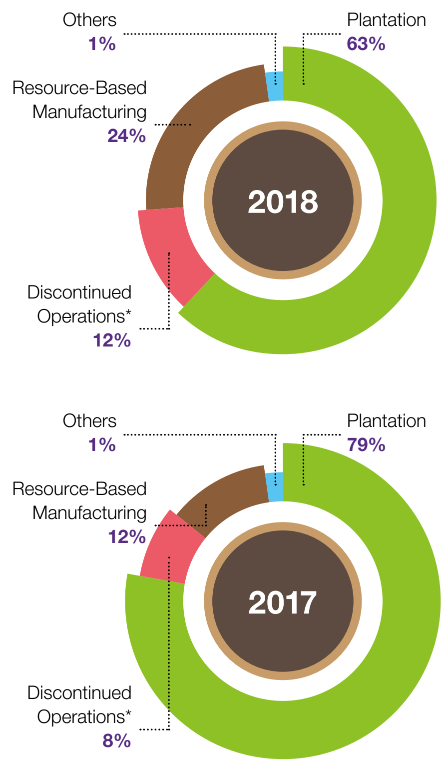
Domestically, Malaysia achieved a Gross Domestic Product ("GDP") growth of 5.9% in 2017 which is amongst the strongest in the region. The relatively strong growth was driven by domestic demand with further support from stellar growth in exports. The new Malaysian Government is expected to be very cautious on its capital expenditure especially on major projects in view of anticipated reduction of Government revenue from the narrower scope of Sales and Service Tax ("SST") which replaces the former Goods and Services Tax ("GST"), coupled with the high overall Government debts of more than RM1.0 trillion that it needs to repay.

In the foreign currency exchange market, the US Dollar ("USD") against Ringgit rate started to weaken from July 2017 at a rate of about 4.30 to 3.86 in early April 2018, before strengthening back to about 4.04 by end of June 2018. During the period, the strength of the Ringgit was buoyed by higher crude oil prices and a 25 basis points rate hike in overnight policy rate by Bank Negara Malaysia in January 2018. The Ringgit subsequently fell with broader dollar strength due to the global trade conflicts and in anticipation of further increases in US interest rates in the second half of 2018.

Contribution to Segment Results



Discontinued operations represent the resource-based manufacturing business that were held by the Group prior to the completion of divestment of 70% equity interest in Loders as disclosed in Note 12 to the financial statements.

Dato' Lee Yeow Chor and IOI Oleochemical's senior management staff accompanying the Malaysian Primary Industries Minister YB Teresa Kok on a facility tour at IOI Esterchem (M) Sdn Bhd in Prai, Penang.

CHAIRMAN'S STATEMENT

IOI Oleochemical's subsidiary in Germany is expanding its production facilities with new products in pharmaceutical and personal care categories which enhance the Group's sales and profitability.

In the palm oil sector, palm oil planters experienced significant recovery in fresh fruit bunch ("FFB") output and crude palm oil ("CPO") production from second half of 2017 following the fading *El Nino* phenomenon. The Group's FFB yields recorded a double-digit growth of 11.4%, an increase in production from 3.16 million MT in FY2017 to 3.51 million MT in FY2018. The recovery in FFB output for the sector has led to high inventory levels of 2.73 million MT by end of December 2017 and 2.19 million MT by end of June 2018. The high inventory levels exerted pressure on CPO prices which softened from a level of more than RM2,600/MT level at the end of June 2017 to around RM2,300/MT level at the end of June 2018.

On the other hand, the oleochemical sub-segment benefitted from lower feedstock cost as the downward trend of palm oil and particularly palm kernel oil prices contributed to improved sales margins.

REVIEW OF RESULTS

The Group's continuing operations profit before tax ("PBT") for FY2018 of RM1,570.7 million is 60% higher as compared to the PBT of RM983.0 million reported for FY2017. The higher PBT is due mainly to the net foreign currency translation gain on foreign currency denominated borrowings.

When the net foreign currency translation gain of RM297.7 million (FY2017 – loss of RM298.8 million) is excluded, the underlying PBT of RM1,252.1 million for FY2018 is almost the same as the underlying PBT of RM1,257.6 million for FY2017, due mainly to lower contribution from the plantation segment which is offsetted by the higher contribution from the resource-based manufacturing segment.

The lower plantation segment profit of RM1,010.1 million for FY2018 as compared to FY2017 of RM1,230.5 million is due mainly to lower CPO and PK prices realised but mitigated by higher FFB production. Overall average CPO and PK prices realised for FY2018 are RM2,549/MT (FY2017 – RM2,766/MT) and RM2,252/MT (FY2017 – RM2,691/MT) respectively.

The resource-based manufacturing segment profit of RM384.0 million for FY2018 is higher than the profit of RM184.7 million reported in FY2017 mainly due to contribution by the oleochemical sub-segment's higher fatty acids sales volume and higher sales margins as a result of lower feedstock price coupled with higher selling prices of its products.

In respect of the discontinued operations represented by Loders Croklaan Group B.V. ("Loders"), the Group reported a profit of RM1,831.6 million for FY2018 as compared to RM75.8 million for FY2017. This huge jump in profit is due to the gain on divesting the Group's 70% equity interest in Loders plus the revaluation gain on the remaining 30% equity interest, as well as improvement in operating performance from the specialty fats business.

From the continuing operating activities during the financial year under review, the Group has generated a net cash inflow of RM1.37 billion compared against RM1.29 billion generated during the last financial year, representing a 6.4% increase over the same period mainly due to net positive changes in working capital.

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 totaling 9.0 sen per ordinary share amounting to a payout of approximately RM565.6 million were declared. The interim dividends payout represented approximately 41.3% of the Group's net cash flow generated from operating activities.

A special dividend of 11.5 sen per ordinary share amounting to a payout of approximately RM722.7 million was also declared in March 2018. The special dividend was declared to reward the Company's shareholders following the successful completion of the disposal of 70% equity interest in Loders on 1 March 2018.

In order to improve the Group's capital structure, approximately 50% of the proceeds from the divestment of the Loders stake was utilised to pare down existing borrowings giving rise to a much healthier net gearing ratio (net debt against shareholders equity) of 0.26 at the end of FY2018 compared to 0.78 at the end of FY2017, while 25% of the proceeds was earmarked for appropriate future investments in its core businesses.

The Group continues to maintain a healthy liquidity position whereby cash and cash equivalents as at 30 June 2018 stood at RM2.76 billion.

MAJOR CAPITAL EXPENDITURE

For the plantation segment, the Group has embarked on a more aggressive replanting programme in its estates in Sabah to replace the aging palms there with higher yielding planting materials. New plantings in its last concession area in Kalimantan, Indonesia covering an area of about 7,000 hectares will also be progressively carried out over the next two years.

Three more biogas plants with capability of power generation will be built in Peninsular Malaysia and Sabah this year to reduce greenhouse gas emissions from the Group's CPO mills and at the same time generate renewable energy. This will add to the five biogas power generation plants which have already been installed or in the process of being installed in its CPO mills. The Group's mill in Indonesia will be upgraded from a 60MT/hr to a 90MT/hr capacity mill to cater for the anticipated increase in FFB production when more young palm trees reach its maturity age.

In order to sustain its strong growth and anticipated greater demand for fatty acids used in animal feed nutrition, the Group will expand the total production capacity of its oleochemical plant complex in Prai by investing in a new production plant for fatty acids with a capacity of 110,000 MT capacity per annum.

CORPORATE DEVELOPMENTS

With the completion of the disposal of the Group's 70% equity interest in Loders to Bunge Limited, a US-based global agribusiness and food company on 1 March 2018, Loders has become a 30%-owned associate company. The Group continues to be a major supplier of palm oil to Loders (now renamed as Bunge Loders Croklaan).

The Group has also embarked on a group-wide SAP Enterprise Resource Planning ("ERP") system project, which follows on from an earlier implementation in IOI's downstream manufacturing operating units. The SAP ERP system will be implemented across all its plantation and commodity marketing (including Sandakan refinery) operating units as well as in its Headquarter in Putrajaya. The system will help the Group to streamline its business processes and derive greater efficiencies in operating and monitoring its wide ranging upstream, midstream and downstream business operations.

IOI contributed RM2 million to the Tabung Harapan Malaysia, or Malaysia Hope Fund set up to alleviate the country's national debt burden.

CHAIRMAN'S STATEMENT

IOI Oleochemical's Germany subsidiary continues to expand its portfolio with innovative products that helps its customers to achieve best results in their formulations at competitive prices.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

In 2018, the Group continues its progress on its sustainability endeavours following more specific commitments as stated in its revised Sustainable Palm Oil Policy and Sustainability Implementation Plan. The specific commitments include developing a traceable supply chain where its palm oil suppliers are compliant with the Group's sustainability commitments, and applying the newly revised High Carbon Stock Approach methodology and its associated in social requirements in new plantings. In the area of human rights and workplace, after consultations with external stakeholders such as labour rights non-governmental organisations and customers, the Group introduced three major policies on labour practices and human rights that highlights its practice of no recruitment fee, no retention of workers' passports and freedom of association for the workers. Standard operating procedures for workers' recruitment and robust grievance mechanisms have also been clearly spelt out.

Being a company with a global footprint, the Group also approaches sustainability on a more global scope based on its adoption of the United Nations ("UN") pillars of sustainable development, i.e. People, Planet and Prosperity as well as the relevant UN Sustainable Development Goals.

On the Corporate Responsibility ("CR") front, the Group undertakes many of its CR activities via Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC"). Yayasan TSLSC, which was established in 1994, has five pillars in its objectives namely education, community welfare, medical assistance, social enterprises, and promotion of Science, Technology, Engineering and Mathematics ("STEM").

IOI's sustainability progress is further detailed in its Annual Sustainability Report 2018 which has been prepared based on Global Reporting Initiative ("GRI") standards.

OUTLOOK AND PROSPECTS

The global economy growth is expected to ease towards the second half of year 2018 and continuing on into year 2019. Escalating trade protectionism will cast a downside risk to the global outlook in the medium term. Likewise, Malaysia's growth is expected to moderate to about 5% this year, after registering a growth of 5.4% during the first quarter and 4.5% during the second quarter of 2018. Nevertheless, domestic demand will support GDP growth this year on the back of improving consumer sentiment with the introduction by the newly elected Government, fuel subsidies and replacement of GST with SST, which is of a narrower scope.

For the plantation segment, the anticipated rise in palm oil production from seasonal yield increase in the third quarter of this year together with the moderately high inventories have resulted in the relatively low palm oil prices for some time. However, recent data shows that this seasonal rise in production has happened at a slower pace than is anticipated earlier. The Group expects palm oil price to be well-supported at the current level of above RM2,200/MT with possibility of strengthening towards the end of the year as production growth tapers off.

With the growth in production from its young Indonesian plantation as well as from its associate company, Bumitama Agri Limited, the Group's plantation segment is expected to perform satisfactorily during this financial year.

For the resource-based manufacturing segment, the oleochemical sub-segment will continue to perform relatively well due to the moderately low feedstock cost, despite the uncertainty arising from the trade conflicts between US and other countries. A new CARE Studio in Hamburg for specialty ester business is expected to be launched in second quarter of year 2019 with new products in pharmaceutical and personal care categories that will sustain its overall profitability.

As for our 30%-owned specialty fats associate, Bunge Loders Croklaan, the Group expects improvement in its overall financial performance due to the higher product margins in Europe and the synergies arising from the integration with the larger Bunge set up.

The US Dollar's recent strength is likely to result in some non-cash foreign exchange translation loss on our medium to long term USD-denominated borrowings. The retention of the balance of the Loders share sale proceeds in US Dollar will provide a natural hedge and mitigate part of this translation loss.

Overall, the Group expects its operating performance for FY2019 to be satisfactory.

ACKNOWLEDGEMENTS

The Group recorded yet another commendable performance in FY2018. I wish to thank the management and all the employees for their hard work and contribution to this year's results.

Finally, I would like to express my gratitude and appreciation to all of our stakeholders, especially our customers, bankers, business partners, government authorities, non-governmental organisations, and shareholders for their confidence and continued strong support to the Group.

Thank you.

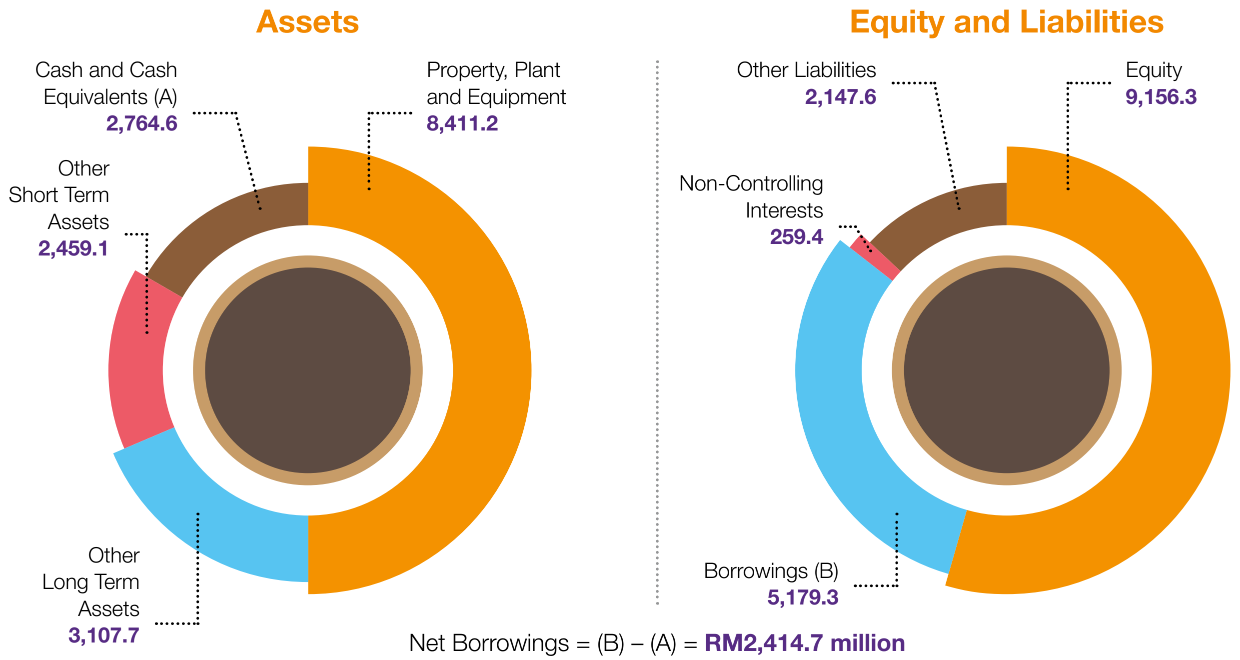
TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

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

GROUP FINANCIAL OVERVIEW

Cash Flow for the Financial Year Ended 30 June 2018 *RM million*	
Net operating cash flow	1,370.7
Capital expenditure, net of disposal	(442.4)
Free cash flow from operation	928.3
Proceeds from disposal of the discontinued operations, net of cash and cash equivalent disposed	3,448.7
Dividends received from investments	52.7
Proceeds from issuance of shares	2.4
Net payment of other investments	(7.5)
Net interest paid	(148.7)
Dividend payments	
– Shareholders of the Company	(1,319.7)
– Shareholders of subsidiaries	(18.4)
Cash inflow in net borrowings	2,937.8
Transaction cost of borrowings	(1.1)
Accretion of borrowings	(2.3)
Decrease in net borrowings	2,934.4
Net borrowings as at 30 June 2017	(5,821.7)
Translation difference	472.6
Net borrowings as at 30 June 2018	(2,414.7)

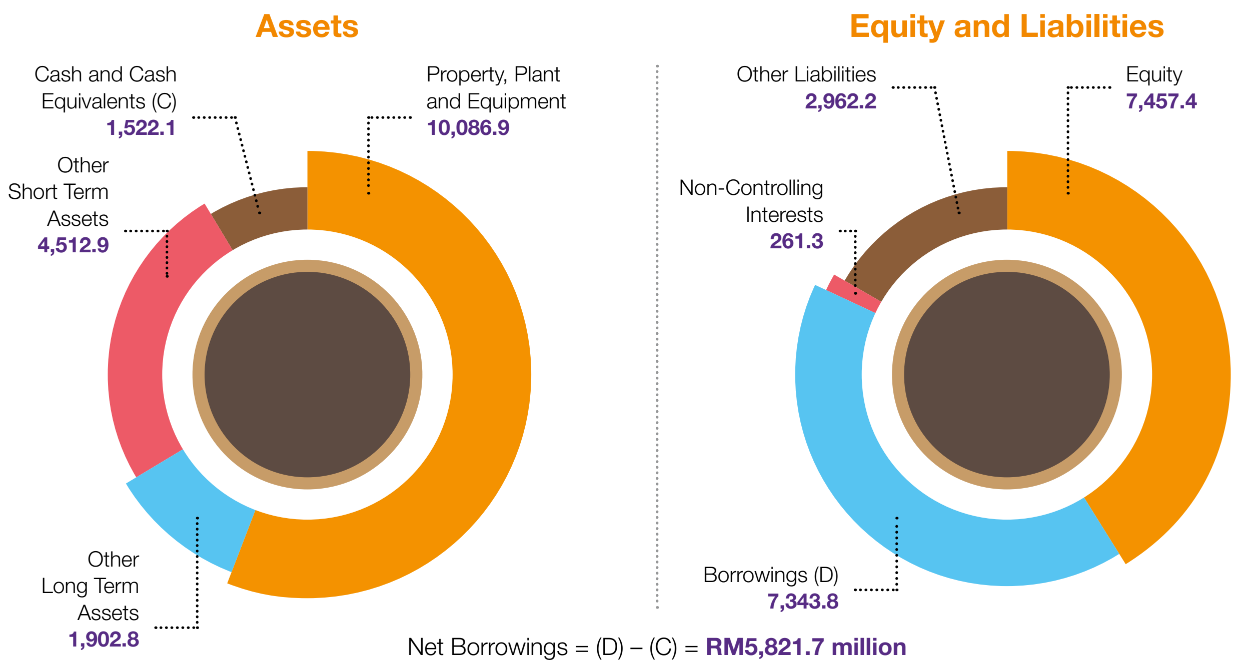
Statement of Financial Position
as at 30 June 2018 (RM million)



Net Borrowings = (B) – (A) = **RM2,414.7 million**
Net Gearing = **26.4%**

Retained Earnings for the Financial Year Ended 30 June 2018 *RM million*	
Continuing operations	
Segment results	1,398.7
Unallocated corporate net expenses	(18.1)
Profit before interest and taxation	1,380.6
Net foreign currency translation gain on foreign currency denominated borrowings and deposits	318.3
Net interest expenses	(128.2)
Profit before taxation	1,570.7
Taxation	(334.0)
Profit from continuing operations	1,236.7
Discontinued operations	
Profit from discontinued operations	1,831.6
Profit for the financial year	3,068.3
Other comprehensive income	8.3
Total comprehensive income	3,076.6
Less: Attributable to non-controlling interests	(7.8)
Total comprehensive income attributable to owners of the parent	3,068.8
Dividends paid	(1,319.7)
ESOS lapsed	2.2
Retained earnings for the financial year	1,751.3
Retained earnings as at 30 June 2017	6,635.2
Retained earnings as at 30 June 2018	8,386.5

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



Net Borrowings = (D) – (C) = **RM5,821.7 million**
Net Gearing = **78.1%**

GROUP PERFORMANCE HIGHLIGHTS

In RM million unless otherwise stated	2018	2017	+/(-) %
FINANCIAL PERFORMANCE			
Revenue from continuing operations	**7,417.6**	7,249.3	2
Profit before interest and taxation from continuing operations	**1,380.6**	1,401.4	(1)
Profit before taxation from continuing operations	**1,570.7**	983.0	60
Net operating profit after taxation ("NOPAT")	**1,545.0**	917.8	68
Net profit attributable to owners of the parent	**3,060.5**	743.2	312
Average shareholders' equity	**8,306.9**	7,297.8	14
Average capital employed	**16,140.1**	16,335.6	(1)
Operating margin (%)	**16.75**	17.44	(4)
Return on average shareholders' equity (%)	**36.84**	10.18	262
Return on average capital employed (%)	**9.57**	5.62	70
Basic earnings per share (sen)	**48.70**	11.82	312
Dividend per share (sen)	**20.5**	9.5	116
Net assets per share (sen)	**146**	119	23
Dividend cover (number of times)	**2.38**	1.24	91
Interest cover (number of times)	**8.85**	5.78	53
PLANTATION PERFORMANCE			
FFB production (MT)	**3,514,857**	3,155,628	11
Yield per mature hectare (MT)	**23.60**	21.66	9
Mill production (MT)			
Crude palm oil	**757,949**	691,184	10
Palm kernel	**175,937**	155,426	13
Oil extraction rate (%)			
Crude palm oil	**20.90**	21.28	(2)
Palm kernel	**4.85**	4.79	1
Average selling price (RM/MT)			
Crude palm oil	**2,549**	2,766	(8)
Palm kernel	**2,252**	2,691	(16)
MANUFACTURING PERFORMANCE			
Oleochemical			
Plant utilisation (%)	**83**	80	4
Sales (MT)	**573,005**	582,458	(2)
Refinery			
Plant utilisation (%)	**69**	63	10
Sales (MT)	**2,152,800**[1]	2,414,773	(35)
Specialty oils and fats			
Plant utilisation (%)	**54**	57	(5)
Sales (MT)	**578,665**[1]	766,188	(24)

Note:
[1] The sales (MT) of FY2018 includes eight (8) months' results of discontinued operations.

GROUP QUARTERLY RESULTS

In RM million unless otherwise stated	1st Quarter	%	2nd Quarter	%	3rd Quarter	%	4th Quarter	%	2018	%
Continuing operations										
Revenue	1,865.6	25	2,009.6	27	1,740.3	24	1,802.1	24	**7,417.6**	**100**
Operating profit	387.2	31	436.9	35	262.2	21	156.0	13	**1,242.3**	**100**
Share of results of associates	32.2	23	30.9	22	35.4	25	42.4	30	**140.9**	**100**
Share of results of joint ventures	(0.9)	35	(0.6)	22	(0.9)	35	(0.2)	8	**(2.6)**	**100**
Profit before interest and taxation	418.5	30	467.2	34	296.7	21	198.2	15	**1,380.6**	**100**
Interest income	17.6	25	16.8	23	13.8	19	23.7	33	**71.9**	**100**
Finance costs	(54.1)	27	(49.2)	25	(50.2)	25	(46.6)	23	**(200.1)**	**100**
Net foreign currency translation gain/(loss) on foreign currency denominated borrowings and deposits	68.1	21	188.1	59	170.4	54	(108.3)	(34)	**318.3**	**100**
Profit before taxation	450.1	29	622.9	40	430.7	27	67.0	4	**1,570.7**	**100**
Taxation	(106.4)	32	(97.3)	29	(76.1)	23	(54.2)	16	**(334.0)**	**100**
Profit from continuing operations	343.7	28	525.6	42	354.6	29	12.8	1	**1,236.7**	**100**
Discontinued operations										
Profit from discontinued operations	19.1	1	77.5	4	1,716.3	94	18.7	1	**1,831.6**	**100**
	362.8	12	603.1	20	2,070.9	67	31.5	1	**3,068.3**	**100**
Attributable to owners of the parent:										
From continuing operations	340.9	28	518.4	42	352.5	29	17.1	1	**1,228.9**	**100**
From discontinued operations	19.1	1	77.5	4	1,716.3	94	18.7	1	**1,831.6**	**100**
	360.0	12	595.9	19	2,068.8	68	35.8	1	**3,060.5**	**100**
Attributable to non-controlling interests	2.8	36	7.2	92	2.1	27	(4.3)	(55)	**7.8**	**100**
	362.8	12	603.1	20	2,070.9	67	31.5	1	**3,068.3**	**100**
Basic/Diluted earnings per share (sen)										
From continuing operations	5.43		8.25		5.61		0.27		**19.56**	
From discontinued operations	0.30		1.23		27.31		0.30		**29.14**	
Total	5.73		9.48		32.92		0.57		**48.70**	
Profit before interest and taxation on segmental basis										
Continuing operations										
Plantation	305.6	30	340.9	34	238.3	24	125.3	12	**1,010.1**	**100**
Resource-based manufacturing	106.6	28	128.3	33	64.1	17	85.0	22	**384.0**	**100**
Other operations	1.8	40	1.9	41	0.2	4	0.7	15	**4.6**	**100**
	414.0	29	471.1	34	302.6	22	211.0	15	**1,398.7**	**100**
Unallocated corporate income/(expenses)	4.5	(25)	(3.9)	21	(5.9)	33	(12.8)	71	**(18.1)**	**100**
	418.5	30	467.2	34	296.7	21	198.2	15	**1,380.6**	**100**
Discontinued operations	35.7	18	103.0	53	57.0	29	–	–	**195.7**	**100**
	454.2	29	570.2	36	353.7	22	198.2	13	**1,576.3**	**100**

FINANCIAL CALENDAR

FINANCIAL YEAR END	**30 JUNE 2018**
ANNOUNCEMENT OF RESULTS	
1st Quarter	17 November 2017
2nd Quarter	23 February 2018
3rd Quarter	16 May 2018
4th Quarter	17 August 2018
Notice of Extraordinary General Meeting	9 November 2017
Extraordinary General Meeting	4 December 2017
Notice of Annual General Meeting	27 September 2018
Annual General Meeting	26 October 2018

PAYMENT OF DIVIDENDS

1st Interim	Declaration	23 February 2018
	Entitlement	20 March 2018
	Payment	30 March 2018
Special	Declaration	5 March 2018
	Entitlement	20 March 2018
	Payment	30 March 2018
2nd Interim	Declaration	17 August 2018
	Entitlement	6 September 2018
	Payment	21 September 2018

FIVE-YEAR FINANCIAL HIGHLIGHTS

In RM million unless otherwise stated	**2018 MFRS**	2017 MFRS	2016 MFRS	2015 MFRS	2014 FRS
RESULTS					
Continuing operations					
Revenue	**7,417.6**	7,249.3	11,739.3	11,541.5	11,910.6
Profit before interest and taxation	**1,380.6**	1,401.4	1,459.6	1,237.6	1,921.5
Net foreign currency translation gain/(loss) on foreign currency denominated borrowings and deposits	**318.3**	(273.8)	(328.5)	(732.5)	(16.1)
Net interest expenses	**(128.2)**	(144.6)	(165.3)	(188.7)	(234.6)
Profit before taxation	**1,570.7**	983.0	965.8	316.4	1,670.8
Taxation	**(334.0)**	(292.7)	(319.5)	(261.6)	(408.4)
Profit for the financial year from continuing operations	**1,236.7**	690.3	646.3	54.8	1,262.4
Discontinued operations					
Profit for the financial year from discontinued operations	**1,831.6**	75.8	-	-	2,127.3
Profit for the financial year	**3,068.3**	766.1	646.3	54.8	3,389.7
Attributable to:					
Owners of the parent	**3,060.5**	743.2	629.7	51.9	3,373.0
Non-controlling interests	**7.8**	22.9	16.6	2.9	16.7
ASSETS[1]					
Property, plant and equipment	**8,411.2**	10,086.9	9,999.3	9,765.5	6,410.0
Investments in associates	**2,491.1**	1,121.1	937.5	812.7	886.9
Other non-current assets	**616.6**	781.7	767.7	699.0	648.7
	11,518.9	11,989.7	11,704.5	11,277.2	7,945.6
Current assets	**5,223.7**	6,035.0	5,851.6	5,171.3	7,386.0
	16,742.6	18,024.7	17,556.1	16,448.5	15,331.6
EQUITY AND LIABILITIES					
Share capital	**786.7**	783.8	646.2	645.9	645.0
Reserves	**8,369.6**	6,673.6	6,491.9	6,423.1	5,391.8
	9,156.3	7,457.4	7,138.1	7,069.0	6,036.8
Non-controlling interests	**259.4**	261.3	278.9	274.1	196.3
Total equity	**9,415.7**	7,718.7	7,417.0	7,343.1	6,233.1
Non-current liabilities	**5,508.5**	6,666.4	6,314.7	7,240.1	5,601.7
Current liabilities	**1,818.4**	3,639.6	3,824.4	1,865.3	3,496.8
Total liabilities	**7,326.9**	10,306.0	10,139.1	9,105.4	9,098.5
	16,742.6	18,024.7	17,556.1	16,448.5	15,331.6
Net operating profit after tax ("NOPAT")	**1,545.0**	917.8	812.4	266.0	1,709.6
Average shareholders' equity	**8,306.9**	7,297.8	7,103.6	7,628.3	9,843.7
Average capital employed[2]	**16,140.1**	16,335.6	15,802.9	16,432.4	18,322.9
FINANCIAL STATISTICS					
Basic earnings per share (sen)	**48.70**	11.82	9.99	0.82	52.93
Dividend per share (sen)	**20.5**	9.5	8.0	9.0	20.0
Net assets per share (sen)	**146**	119	114	112	95
Return on average shareholders' equity (%)	**36.84**	10.18	8.86	0.68	34.27
Return on average capital employed (%)	**9.57**	5.62	5.14	1.62	9.33
Net debt/Equity (%)[3]	**26.37**	78.07	76.25	68.75	58.57
SHARE PERFORMANCE					
Market share price (RM):					
– Highest	**4.88**	4.81	5.04	5.28	5.36
– Lowest	**4.31**	4.21	3.70	3.91	4.09
– Closing	**4.54**	4.45	4.34	4.06	5.25
Trading volume (million)	**1,032**	1,111	1,584	1,200	1,563
Market capitalisation	**28,531.2**	27,963.2	27,290.8	25,664.7	33,366.0

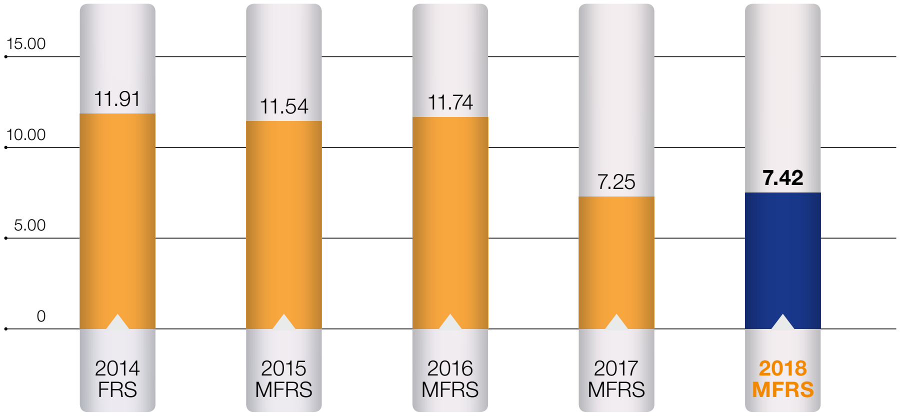
Notes:

[1] The Assets of FY2016 include Assets of disposal group held for sale.

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

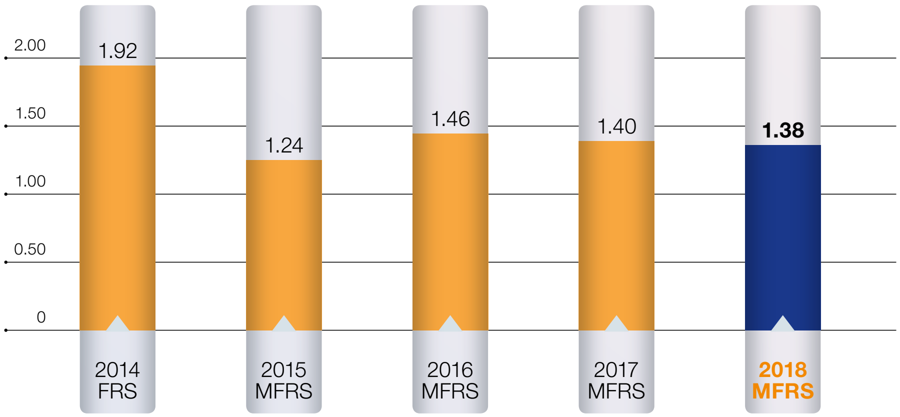
[3] Net debt represents total borrowings less short term funds, deposits with financial institutions and cash and bank balances.

In conjunction with the adoption of Malaysia Financial Reporting Standards ("MFRS") framework by the Group, the above information from FY2015 to FY2018 have been prepared in accordance with MFRS, whereas information on FY2014 has been prepared in accordance with Financial Reporting Standards ("FRS").



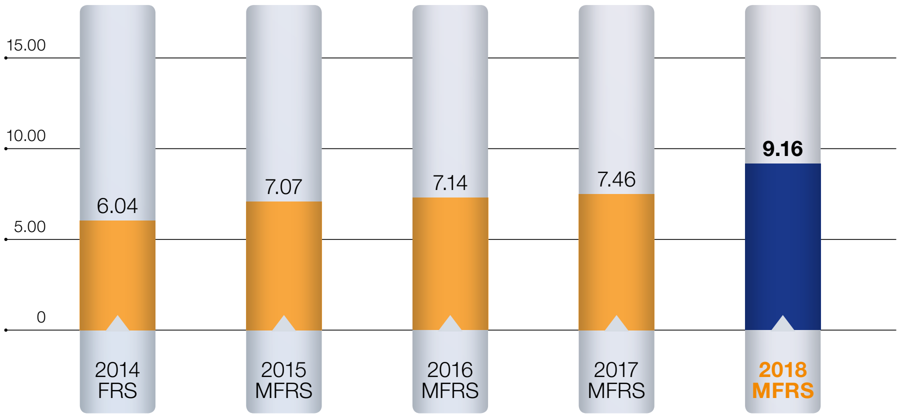
Revenue[1]

RM billion



Profit before Interest and Taxation[1]

RM billion



Shareholders' Equity

RM billion

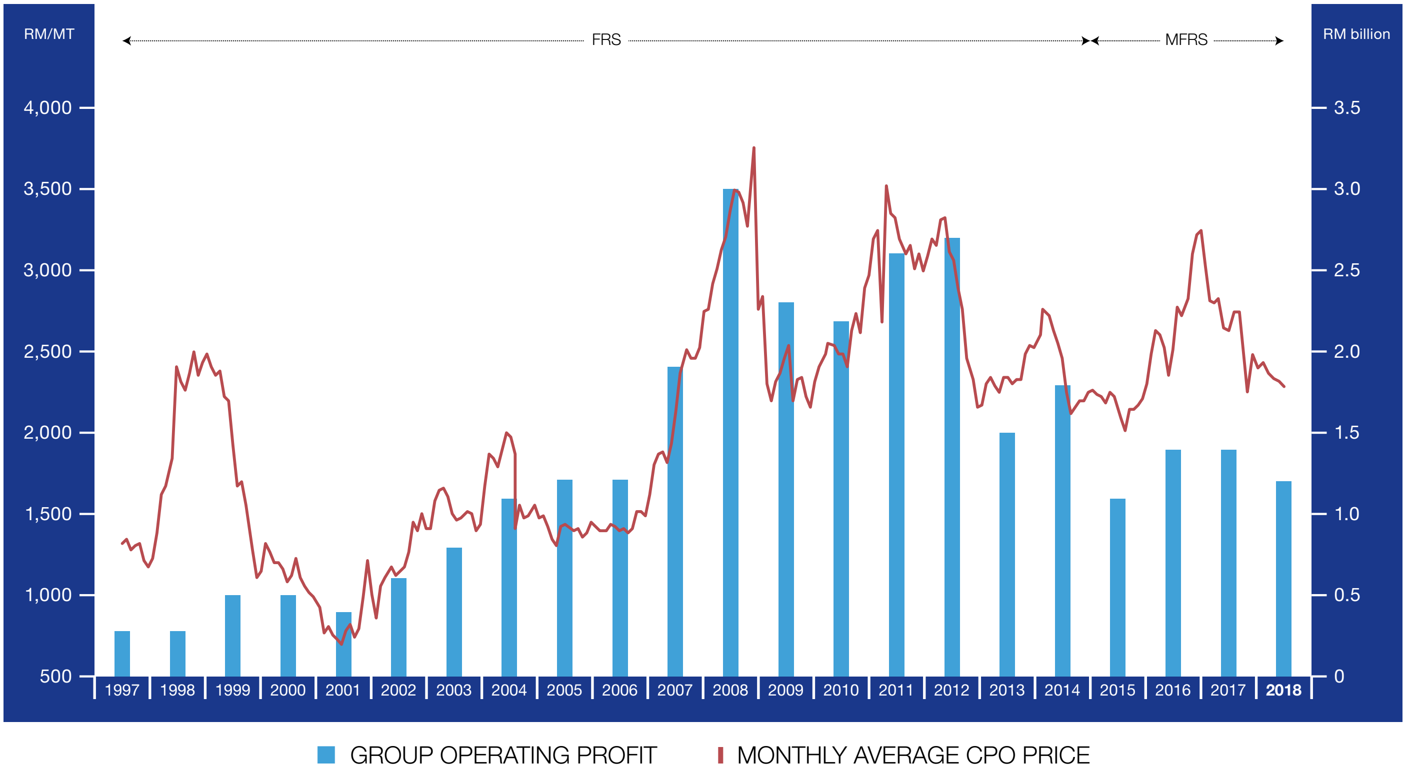
Note:

[1] The revenue and profit before interest and taxation for FY2018 & FY2017 excluded results arising from discontinued operations as disclosed in Note 12 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

GROWING THROUGH THE CYCLE



***Note:** In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the above information from FY2015 to FY2018 have been prepared in accordance with MFRS, whereas information from FY1997 to FY2014 have been prepared in accordance with Financial Reporting Standards ("FRS").*

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

		2018	2017	Change %
Earnings before interest and taxation ("EBIT") from continuing operations	*RM million*	**1,380.6**	1,401.4	(1)
Pre-tax earnings from continuing operations	*RM million*	**1,570.7**	983.0	60
Net earnings	*RM million*	**3,060.5**	743.2	312
Return on average shareholders' equity ("ROE")	*%*	**36.84**	10.18	262
Return on average capital employed ("ROCE")	*%*	**9.57**	5.62	70
Net operating profit after taxation ("NOPAT")	*RM million*	**1,545.0**	917.8	68
Total returns to shareholders				
– Capital appreciation per share	*RM*	**0.09**	0.11	(18)
– Dividend per share	*sen*	**20.5**	9.5	116
Net cash flow generated from operation	*RM million*	**1,370.7**	1,287.7	6
Net gearing	*%*	**26.4**	78.1	(66)

FINANCIAL HIGHLIGHTS AND INSIGHTS

- The Group's revenue from continuing operations for FY2018 increased by 2% to RM7.42 billion as compared to RM7.25 billion in FY2017. The increase in revenue is contributed mainly by the resource-based manufacturing segment.

- At Group level, the results for FY2018 versus FY2017 are best compared and explained at three (3) levels, mainly, EBIT, Pre-tax and Net Earnings, as different factors affected the changes between the two (2) fiscal years at the respective levels.

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

	2018 RM million	**Mix %**	2017 RM million	Mix %	Change %
Plantation	**1,010.1**	**64**	1,230.5	80	(18)
Resource-based manufacturing	**384.0**	**24**	184.7	12	108
Palm oil – Total	**1,394.1**	**88**	1,415.2	92	(1)
Others including unallocated corporate expenses	**(13.5)**	**–**	(13.8)	(1)	(2)
Continuing operations	**1,380.6**	**88**	1,401.4	91	(1)

- The plantation segment's EBIT decreased by 18% to RM1,010.1 million, due mainly to lower CPO and PK prices realised as well as lower CPO extraction rate, mitigated by higher FFB production.

- The resource-based manufacturing segment's EBIT increased by 108% to RM384.0 million. The better performance is contributed mainly by higher margins derived from both the refining and oleochemical sub-segments.

- **Pre-tax Earnings** increased by 60% over the last financial year, mainly due to net foreign currency translation gain on foreign currency denominated borrowings amounted to RM297.7 million (FY2017 – loss of RM298.8 million), offset by the decrease in EBIT from continuing operations as explained in the foregoing paragraphs.

- At the **Net Earnings level**, profit attributable to owners of the parent increased to RM3,060.5 million. The significant increase of the net earnings is due mainly to the gain of RM1.68 billion arising from the divestment of Loders as disclosed in Note 12.1 to the financial statements.

- The Group's **Interest Cover** of continuing operations was 8.9 times (FY2017 – 5.8 times).

- With the increase of net earnings, the Group recorded a **ROE** of 36.84% for FY2018 based on an average shareholders' equity of RM8,306.9 million (FY2017 – RM7,297.8 million), as compared to 10.18% recorded in the previous financial year.

- With the increase of NOPAT, the **ROCE** increased from 5.62% for FY2017 to 9.57% for FY2018.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS AND INSIGHTS

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

	2018 RM million	2017 RM million
Cash dividend	**1,288.3**	597.1
Share buy-back	**–**	20.0
Total equity repayments	**1,288.3**	617.1

- The Group generated an **Operating Cash Flow** of RM1,370.7 million for FY2018 against RM1,287.7 million for FY2017. Similarly, **Free Cash Flow** increased from RM816.4 million to RM928.3 million due mainly to decrease in net working capital.
- The inventory turnover days of 61 days for FY2018 is in line with the inventory days of 67 days for FY2017 (exclude inventories of Loders).
- The trade receivables turnover days of 26 days for FY2018 is in line with the trade receivables turnover days of 27 days for FY2017 (exclude trade receivables of Loders).
- As for the cash and cash equivalents, it increased from RM1.5 billion as at 30 June 2017 to RM2.8 billion as at 30 June 2018, due mainly to proceeds from disposal of the discontinued operations net of repayment of borrowings and special dividend payments.
- The net gearing ratio of the Group was reduced from 78.1% for FY2017 to 26.4% for FY2018, due mainly to proceeds from disposal of the discontinued operations.
- The Group's **Shareholders' Equity** as at 30 June 2018 stood at RM9.2 billion, an increase of RM1.7 billion or 23% over the previous financial year. The increase was mainly due to net earnings of RM3.0 billion, offset by total dividend payment of RM1.3 billion during the financial year.
- For FY2018, the Group spent a total of RM450.9 million (FY2017 – RM508.8 million) for **Capital Expenditure ("Capex")**.

RETURNS TO SHAREHOLDERS

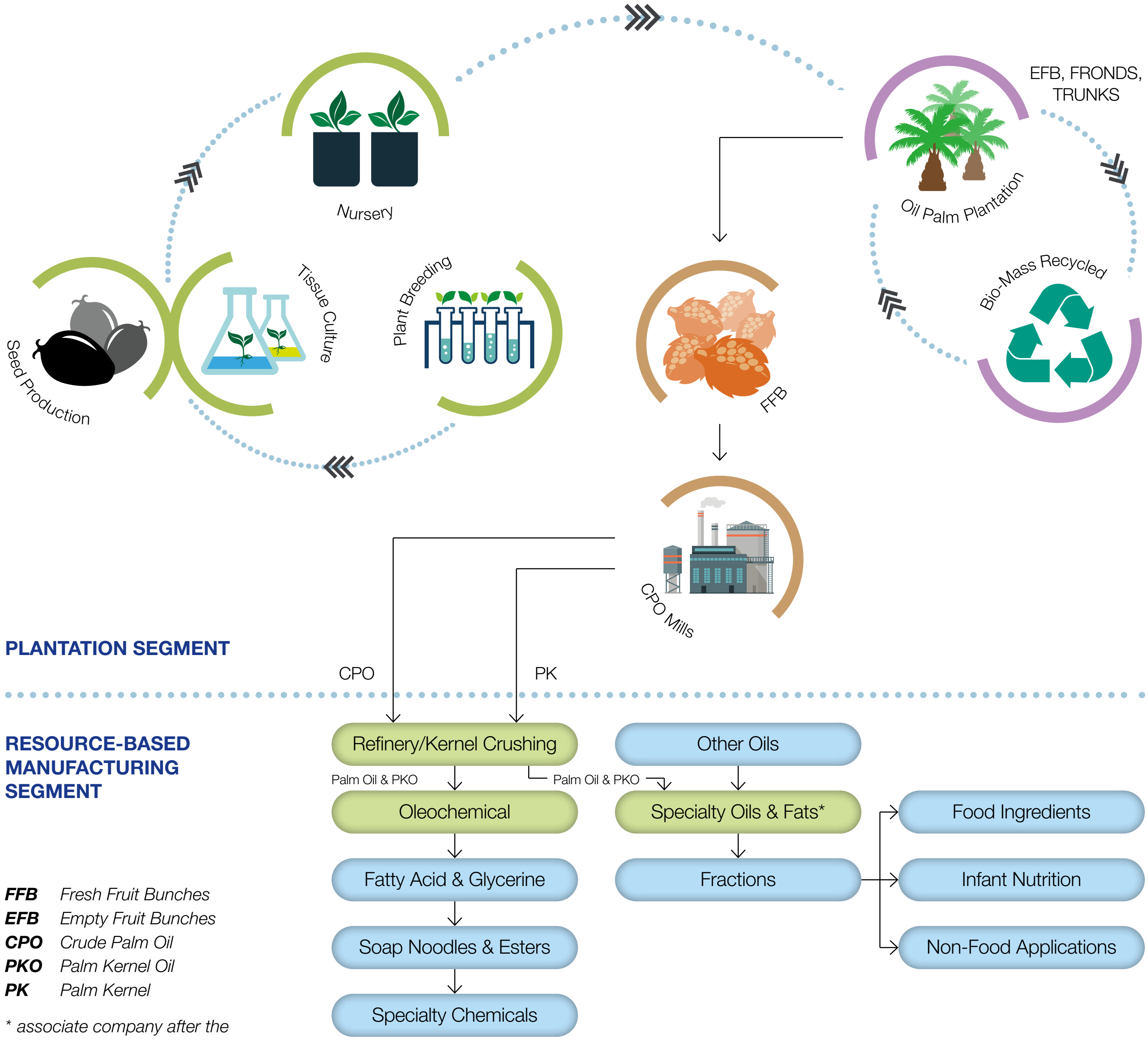
Two interim cash dividends totalling 9.0 sen per ordinary share amounting to a total payout of RM565.6 million were declared for FY2018. In addition, a special cash dividend of 11.5 sen per ordinary share amounting to a payout of RM722.7 million was declared during the financial year.

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 2018, 76,000 IOIC Shares worth RM345,040 based on IOIC Share price of RM4.54 and 55,417 IOI Properties Group Berhad Shares ("IOIPG Shares") worth RM88,667 based on IOIPG Share price of RM1.60. 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 18.0% for each of the 38 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 2018 stood at RM2.8 billion, and a net gearing ratio of 26.4%.

PALM OIL BUSINESS STREAM

The Group's palm oil business comprises the plantation and downstream resource-based manufacturing segments. 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 2018, approximately 89% (FY2017 – 90%) of our plantation revenue of RM2.4 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:



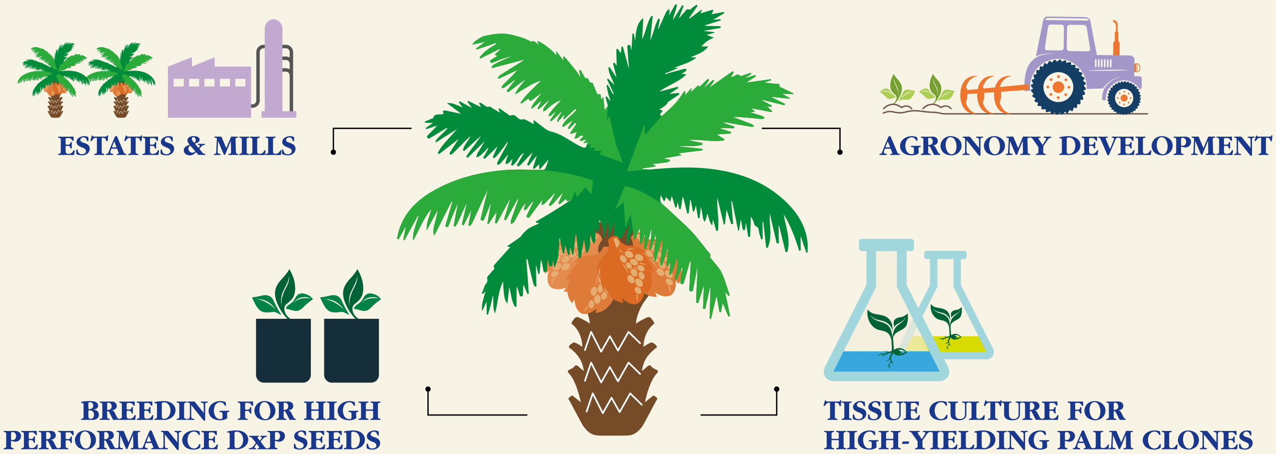
FFB *Fresh Fruit Bunches*
EFB *Empty Fruit Bunches*
CPO *Crude Palm Oil*
PKO *Palm Kernel Oil*
PK *Palm Kernel*

** associate company after the completion of divestment of 70% equity interest in Loders*

Fortifying Our Commitment for Value Creation

IOI sustains its reputation as a palm oil industry leader with its continuous emphasis on efficiency, innovation and sustainable development. The Group's steadfast investments in agronomic research, production of superior planting materials and human resource talents further fortifies its commitment in adding value to the palm oil value chain. IOI also continues to explore new opportunities to grow its upstream business and create value addition for its stakeholders.

PLANTATION



Total Planted Area*

175,117

hectares

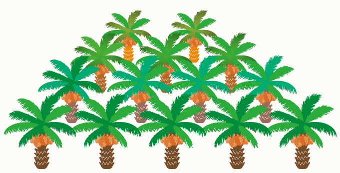
** Excludes area owned by associate companies.*

Total Estates

90

Planted with Oil Palm

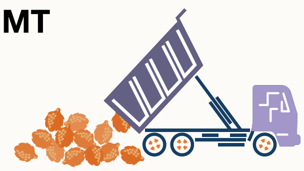
99%



Annual Milling Capacity

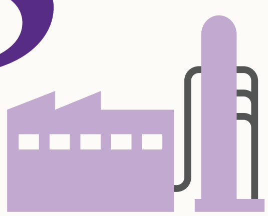
4.75

million MT of FFB



Palm Oil Mills

15



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, cultivation and 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.

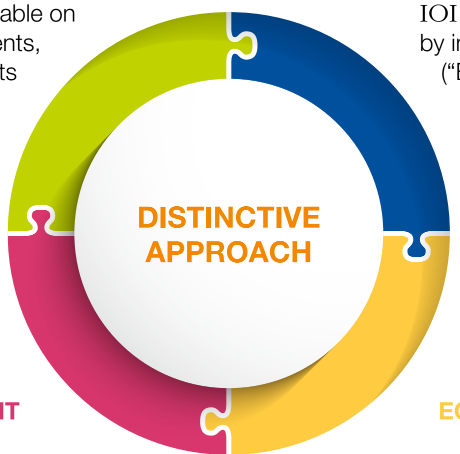
MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW – PLANTATION

IOI PLANTATION'S BUSINESS MODEL

SUSTAINABLE GROWTH

IOI is an efficient palm oil producer, with a track record of managing its profitability through the commodity cycles. The Group established its good track record in compliance with the Roundtable on Sustainable Palm Oil ("RSPO") requirements, and demonstrates sustained improvements in communities around its estates. For FY2018, IOI's total planted area of 174,081 hectares is planted with oil palms with a weighted average age of 14 years. Overall, fresh fruit bunches ("FFB") production in FY2018 is 3.5 million metric tonnes ("MT") while FY2017 was 3.2 million MT which is an increase of 11% by comparison.



PEOPLE CAPITAL DEVELOPMENT

IOI continues to nurture young talents and empower them with new technology in implementing new and innovative ideas. In the plantation operation, the Group strives to provide quality living environment and safe workplace along with attractive remuneration package to retain talents and reduce staff turnover. In FY2018, foreign workers' recruitment fees are fully absorbed by IOI.

DRIVING INNOVATIONS

IOI continually explores new planting and milling technology to increase its FFB output and oil yield to sustain business growth. Beginning FY2019, IOI embarked on its digital transformation journey by implementing an Enterprise Resource Planning ("ERP") system to facilitate improvements in efficiency and response time to achieve faster decision-making. An improved version of mobility devices for accurate capturing of information and payroll data will be included. The plantation operation is also driving mechanisation initiatives to address the shortages of workers and to improve overall productivity.

ECONOMIES OF SCALE

IOI is recognised as one of the most cost-efficient palm oil producers. In FY2018, 96% of FFB processed by IOI's mills is supplied by its own estates. As an integrated palm oil producer with a fully integrated palm oil value chain from upstream to downstream, IOI is able to leverage on its best practices to ensure better economies of scale in spite of crude palm oil ("CPO") price volatility.

IOI's propagation of sustainable, high-yielding palms with other desirable economic traits improves the Group's oil yield and productivity.

As at 30 June 2018, the Group's total planted area as well as that of subsidiary and associate companies stood at 175,117 hectares (FY2017 – 175,447 hectares) and 131,161 hectares (FY2017 – 130,127 hectares) respectively. Approximately 99% of the planted area 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 174,081 hectares. Approximately 65% of the Group's oil palm plantation holdings are in East Malaysia, 25% in Peninsular Malaysia and the remaining 10% in Indonesia.

The Group's plantation produce are principally processed by its 15 palm oil mills with an annual milling capacity of approximately 4.75 million MT of FFB.

RESEARCH AND DEVELOPMENT

IOI Palm Biotech Centre, which was established to be the centre of the Group's oil palm research and development, is driven by biotechnological advancement to continue to produce high-yielding oil palm clones using its cutting-edge tissue culture technology that was developed in-house since the late 1980s, for the replanting of oil palm that will maximise its oil extraction rate ("OER") and oil yield per hectare. In addition to the production of high-yielding oil palm clones, the centre is actively involved in in-house bio-molecular marker research. The research centre seeks to maximise the development and exploitation of genomic potential in oil palm for the continuous improvement of yield and quality of palm oil. Our research focus specifically targets superior materials with higher oil yield and other beneficial economic traits as well as *Ganoderma* tolerance.

IOI Palm Biotech Centre is also an active member of an International Oil Palm Research Consortium that is involved in collaborative research on Oil Palm Genome Projects since 2009. The Consortium comprises 15 large research-driven organisations from France, Spain, Brazil, Colombia, Indonesia and Malaysia. The collaborative research aims to maximise the exploitation and development of genomic resources in oil palm for the continuous improvement in the yield and quality of palm oil, for the objective of long-term profitability and sustainability of our palm oil business.

The team of in-house agronomists stationed in research facilities conducts a myriad of analyses and studies with the principal goal of maintaining the production of high yields in line with the Group's commitment to sustainable agriculture. This is achieved by maximising the yields of palms by prescribing the tenets of best management practices to field operations so that losses are minimised, pests and diseases are kept at bay, nutrition and soil fertility are adequately addressed and shifts in weather patterns are well adapted to.

IOI's estates are managed sustainably in compliance with the RSPO requirements.

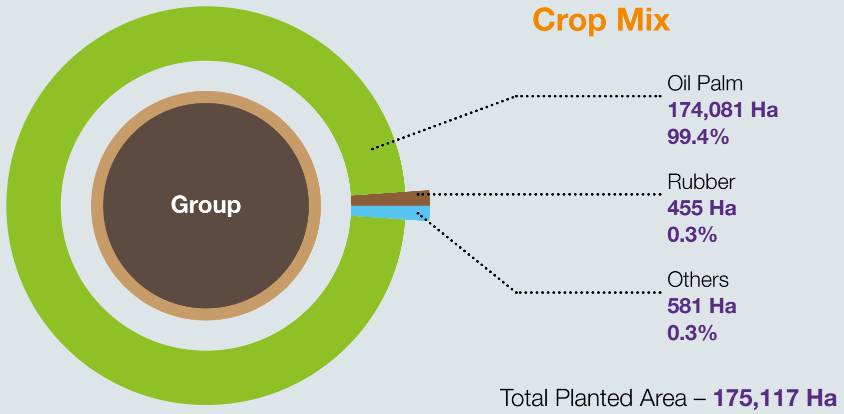
IOI Palm Biotech Centre continues to produce high-yielding planting materials through in-house tissue culture and bio-molecular marker research.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW – PLANTATION

PLANTATION STATISTICS

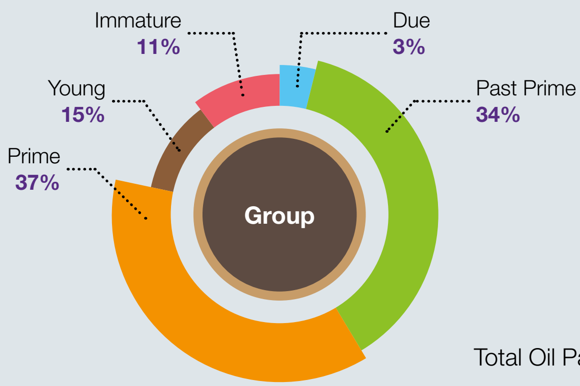
Crop Mix



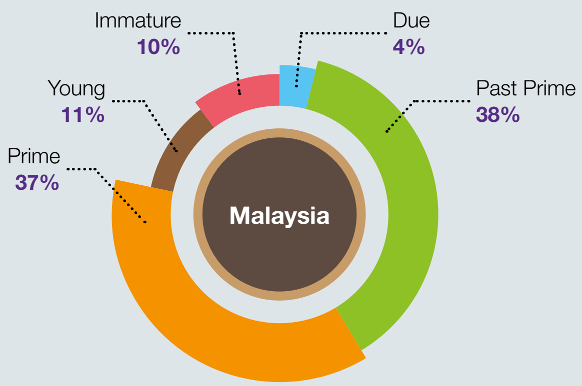
Total Planted Area – **175,117 Ha**

IOI's commercial planting materials include DxP hybrids which yield high oil content.

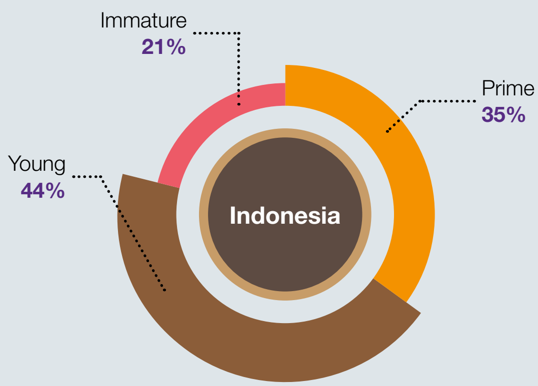
Oil Palm Hectarage by Age



Total Oil Palm Planted Area – **174,081 Ha**



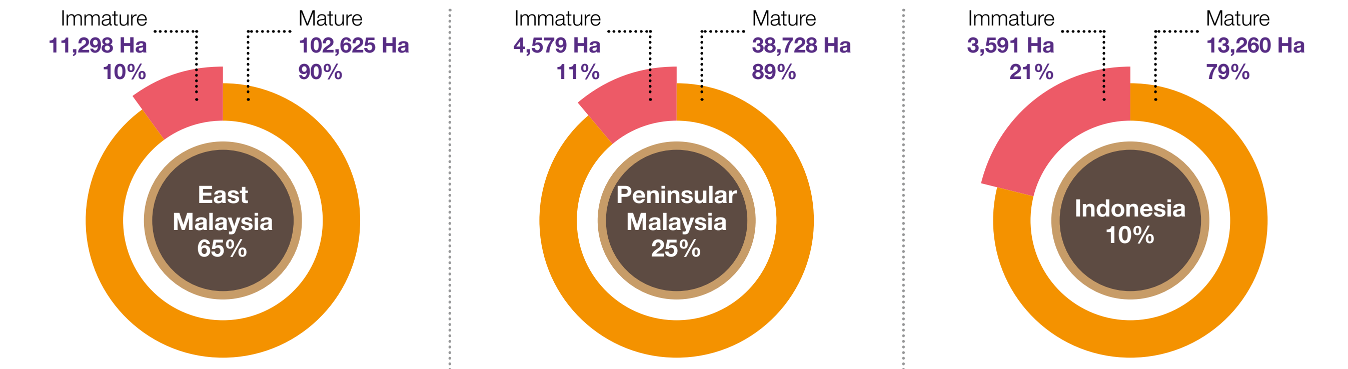
Total Oil Palm Planted Area – **157,230 Ha**



Total Oil Palm Planted Area – **16,851 Ha**

From the total oil palm planted area of 174,081 hectares, approximately 52% or 89,386 hectares comprise young and prime palms while 37% or 65,227 hectares consist of past prime and due palms that are above 21 years of age. These palms will be replanted progressively with new planting materials under the replanting programmes.

Oil Palm Hectarage by Region



Total Oil Palm Planted Area – **113,923 Ha**

Total Oil Palm Planted Area – **43,307 Ha**

Total Oil Palm Planted Area – **16,851 Ha**

Crop Statement

	2018	2017	2016	2015	2014
OIL PALM					
Average mature area harvested (Ha)	**148,934**	145,704	146,912	147,661	146,126
FFB production (MT)	**3,514,857**	3,155,628	3,145,317	3,542,222	3,506,706
Yield per mature hectare (MT)	**23.60**	21.66	21.41	23.99	24.00
Mill production (MT)					
Crude palm oil	**757,949**	691,184	697,334	781,625	751,536
Palm kernel	**175,937**	155,426	163,520	187,718	186,450
Oil extraction rate (%)					
Crude palm oil	**20.90**	21.28	21.55	21.49	21.21
Palm kernel	**4.85**	4.79	5.05	5.16	5.26
Average selling price (RM/MT)					
Crude palm oil	**2,549**	2,766	2,249	2,221	2,509
Palm kernel	**2,252**	2,691	1,740	1,551	1,709

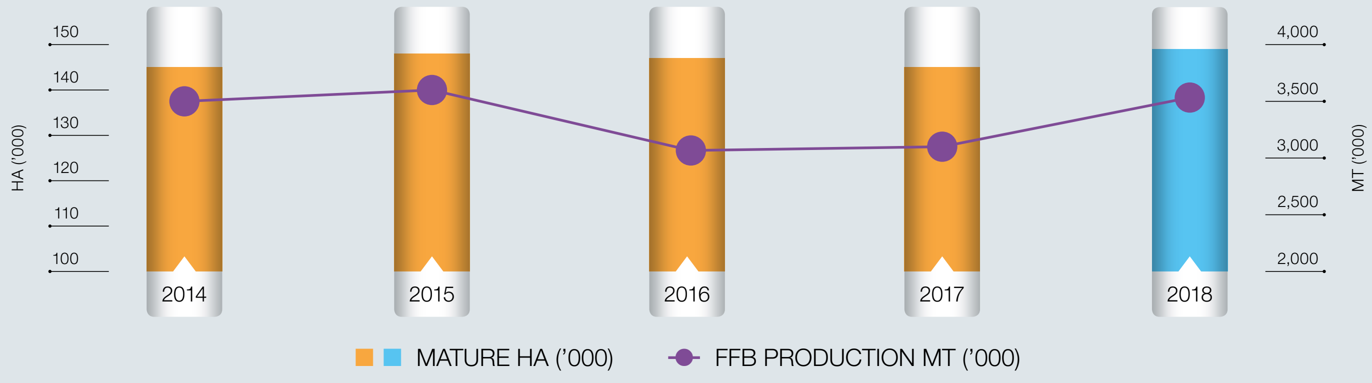
Area Statement

In hectares	**2018**	2017	2016	2015	2014
OIL PALM					
Mature	**154,613**	149,714	148,166	149,749	150,482
Immature	**19,468**	24,682	31,105	29,019	23,579
	174,081	174,396	179,271	178,768	174,061
RUBBER					
Mature	**405**	415	282	–	–
Immature	**50**	55	188	470	465
	455	470	470	470	465
Others	**581**	581	581	584	605
Total planted area	**175,117**	175,447	180,322	179,822	175,131
Nursery	**229**	142	143	143	144
Estate under development	**8,382**	8,582	9,263	8,235	13,241
Building sites, labour lines, roads and others	**33,601**	33,746	28,189	18,718	18,605
Total area	**217,329**	217,917	217,917	206,918	207,121

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW – PLANTATION

Average Mature Oil Palm Area Harvested/FFB Production



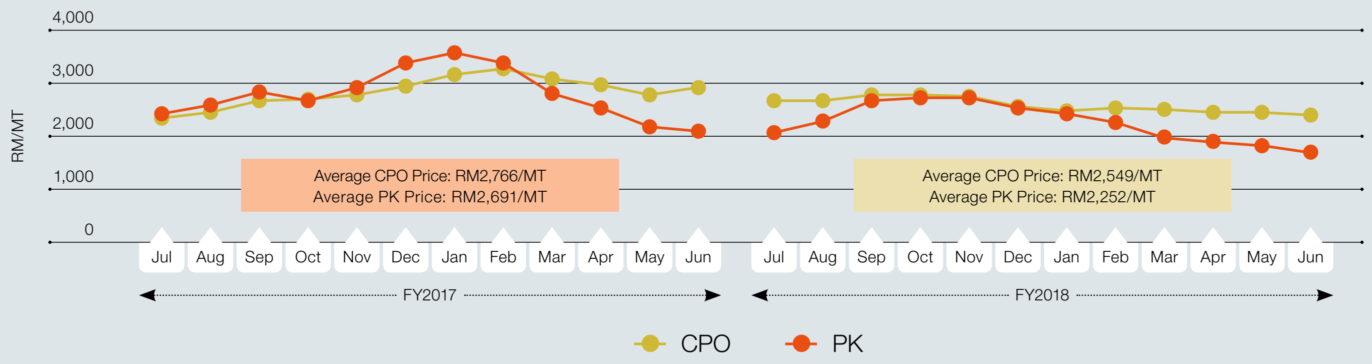
OPERATIONS REVIEW

Around 90% of the total planted oil palm is classified as mature and the total weighted average age palm profile is 14 years old. As at 30 June 2018, the total FFB production for the Group in the reporting year is 3.51 million MT. This is 11% higher than the previous year due mainly to higher yield. FFB production in Malaysia and Indonesia operations have also improved by 11% and 49% respectively as compared to previous year. FFB yields recorded during the reporting year was 23.60 MT as compared to 21.66 MT in the previous year. Higher FFB production was attributed to recovery of yields from the impact of *El Nino* droughts in 2015 and 2016.

One of IOI's palm seedling nurseries located at Ladang Morisem, Sabah, Malaysia.

For FY2018, the Group's plantation segment reported a lower profit of RM1,010.1 million as compared to RM1,230.5 million for FY2017. Despite higher FFB yields, the decline in average prices of CPO and palm kernel ("PK") by 8% and 16% respectively in the past 12 months was the main factor causing the lowering of the plantation segment's performance earnings.

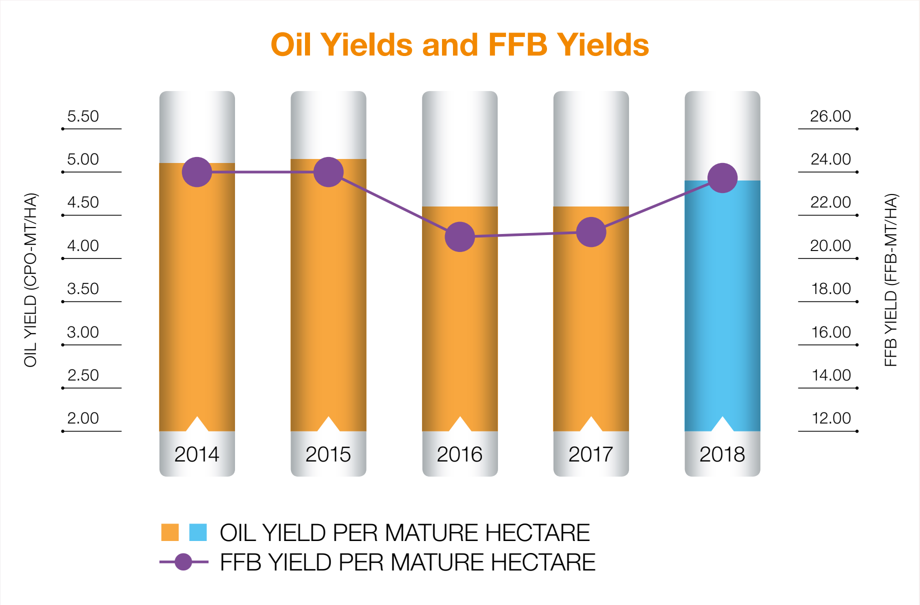
CPO and PK Price Trend



For FY2018, the average OER achieved is at 20.90% as compared to the previous financial year at 21.28%. Lower OER was attributed to erratic weather conditions in East Malaysia. The kernel extraction rate was at 4.85% as compared to last financial year at 4.79%.

For FY2018, the Group's best performing estate was Mamor Estate in Johor which achieved a yield of 7.06 MT of CPO per hectare, followed by Mekassar Estate and Leepang A Estate in Pahang which achieved a yield of 6.71 MT and 6.63 MT of CPO per hectare respectively.

All Malaysian mills in IOI are certified 100% traceable to plantation.



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

	2018 RM'000	2017 RM'000
MPOB cess	**9,445**	8,707
Windfall profit levy	**3,130**	10,560
Sabah sales tax	**89,146**	98,470
	101,721	117,737

For capital expenditure, the segment spent a total of RM235.1 million for FY2018 as compared to RM246.7 million for the previous financial year. The capital expenditure was primarily incurred on new plantings and replanting of oil palms, construction of staff quarters, construction of biogas plants, acquisition of agricultural equipment and vehicles.

For FY2018, we have replanted approximately 6,100 hectares of oil palm with our own high-yielding materials which include clonal palms. Going forward, the Sabah estates will undergo an accelerated replanting programme over the next five years, targeting between 7,500 and 9,000 hectares each year. As for new planting activities in Indonesia, the target is to complete 3,000 hectares of planting in FY2019. We plan to complete planting the last concession of about 7,000 hectares in Indonesia over the next two years.

The use of leguminous cover crops at IOI's estates helps to prevent soil erosion, enhance the soil nutrient content and improve soil water retention.

OUTLOOK AND PROSPECTS

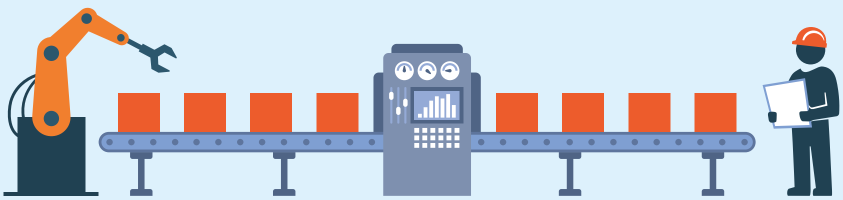
Palm oil prices have been soft for some time due to the anticipated seasonal rise in palm oil production in the third quarter of year 2018. However, recent data indicates that the seasonal rise in production has not been as fast as anticipated earlier, and that the growth in export volume has moderated the rise in inventories in Malaysia. We expect CPO price to be well supported at the current price level of above RM2,200/MT with the possibility of it strengthening towards the end of the year as the production growth tapers off. Combined with the continued growth in production from our young Indonesian plantations, the Group's plantation segment is expected to perform satisfactorily in the current year.

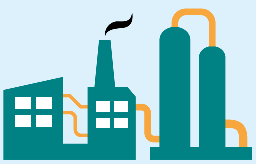
IOI has replanted approximately 6,100 hectares of oil palm with high-yielding materials including clonal palms in 2018.

Strengthening Our Global Presence and Outlook

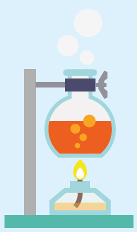
IOI remains agile and responsive to challenges by constantly leveraging on competitive advantages. The Group is strengthening its downstream operations by strategically collaborating with a renowned global partner in agribusiness and food. The direction taken will further expand the Group's business network and capture new growth markets as IOI continues to grow its global presence and create value addition for its stakeholders.

RESOURCE-BASED MANUFACTURING





REFINING



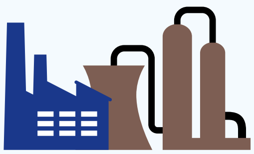
OLEOCHEMICAL

SPECIALTY OILS AND FATS

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 local and international manufacturing facilities are well-equipped to meet the needs of its customers worldwide.

Manufacturing Facilities*

6

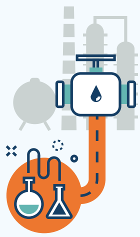


** Excludes associate company.*

Combined Annual Refining Capacity* of

1.8

million MT



** Excludes associate company.*

Export to

60

Countries Worldwide

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW – RESOURCE-BASED MANUFACTURING

REFINING

Following the Group's divestment of 70% equity interest in Loders Croklaan Group B.V. ("Loders") to Bunge Limited ("Bunge") in March 2018, we now have two wholly-owned refineries in Malaysia with a combined annual refining capacity of about 1.8 million MT. One is located in Pasir Gudang, Johor and another is in Sandakan, Sabah. Both refineries are closely located to our plantations, mills and along 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/ISO 14001, OHSAS 18001 and HACCP/GMP accredited. Our Pasir Gudang refinery is also ISO 50001 certified. 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. Our Sandakan refinery has also attained its International Sustainability and Carbon Certification ("ISCC").

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

IOI Oleochemical's German site in Witten is equipped with state-of-the-art manufacturing facilities that are Good Manufacturing Practice ("GMP") certified for pharmaceutical ingredients.

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.

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, shampoos, soaps, food additives, plastics, cosmetics and pharmaceutical products. The oleochemical products are exported to more than 60 countries worldwide mainly to Japan, China, Europe and USA. Its customers include some of the world's esteemed and well-known multinational corporations.

The oleochemical manufacturing activities are undertaken in four manufacturing sites. Two of the manufacturing sites are located in Peninsular Malaysia while the other two sites are in Germany. The total combined production output is about 780,000 MT per annum. The Penang and Johor plants are 100% based on palm oil. The Germany plants use palm oil and other vegetable oils such as coconut oil, rapeseed oil and sunflower oil. These plants complement and add value to each other. For instance, the Malaysian plants provide some of the feedstock that are further derivatised by the German plants. At the same time, there is exchange and transfer of technical and application know-how from the German sites to the ester production plant in Penang.

Our manufacturing facilities are certified and accredited by globally recognised bodies in various aspects of quality and international standards compliance. On top of the ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001 certifications, our Penang and Johor sites have the Food Safety System Certification ("FSSC") 22000 on food safety management, and our Witten site has the European Union-Good Manufacturing Practice ("EU-GMP") certified production for Active Pharmaceutical Ingredients ("API").

We continue to strengthen our leadership position in the oleochemical industry particularly in Malaysia as we achieved 10 awards – five gold and five silver – at the 14th Chemical Industries Council of Malaysia ("CICM") Responsible Care Awards 2016/2017. In addition, the Johor site was bestowed with the Exceptional Achievement Award in the Prime Minister's Hibiscus Award ("PMHA") 2016/2017 on 23 March 2018.

SPECIALTY OILS AND FATS

The specialty oils and fats manufacturing business of the Group is carried out by Loders (later renamed as Bunge Loders Croklaan). In September 2017, IOI announced the disposal of a 70% equity interest in Loders to Bunge, a US-based global agribusiness and food company. Subsequently, on 1 March 2018, Loders became a 30%-owned associate company of the Group following the completion of disposal.

The strategic partnership with Bunge is a natural match and the synergy will enhance IOI to get better access to the soft oils market enabling Loders to capture the growing global market for blended oils. Another important aspect of the partnership is by leveraging on Bunge's presence in other regions, particularly in South America and South Asia.

OPERATIONS REVIEW

The resource-based manufacturing segment reported a profit of RM384.0 million for FY2018 which is 107.9% higher than the reported profit of RM184.7 million in FY2017. The better performance is contributed mainly by higher margins derived from both the refining and oleochemical sub-segments.

The details of the segmental contribution are as follows:

The primary refining sub-segment has recorded a better performance in this financial year as domestic palm oil production has recovered from previous *El Nino* effects. Refining margins were better in the first half of the financial year but plummeted in the second half as a result of more competition for raw material from export demand due to the suspension of crude palm oil export duty from January to April 2018. Meanwhile, our refineries continue to export regularly into USA, Pakistan and China during this financial year.

Drumming of special esters at IOI Oleochemical's Wittenberge site.

IOI Pan-Century Oleochemicals Sdn Bhd won the Prime Minister's Hibiscus Award ("PMHA") 2016/2017 for its exceptional performance in protecting the environment through various green efforts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW – RESOURCE-BASED MANUFACTURING

The oleochemical sub-segment has performed very well during the year under review. The relatively low and stable palm and palm kernel oil prices compared to the previous year has helped in improving the overall margins. The fatty acids and glycerine business contributed the highest margin improvement due to strong demand for the main fatty acids products such as lauric, myristic, stearic and palmitic acids. The higher glycerine prices in the first two quarters has bolstered the margin too. The soap noodle business performed marginally better despite slightly lower sales volume and pricing pressure from the Indonesian producers. The specialty ester business has performed well with improved margin and higher sales volume. The European business has done particularly well with significant growth in the personal care and pharmaceutical categories. Overall, the oleochemical sub-segment recorded a strong performance in FY2018.

The specialty oils and fats sub-segment reported a higher profit in FY2018. The FY2017 results were very much impacted by the temporary suspension by the RSPO and the subsequent campaigning by several non-governmental organisations. Following the new Sustainability Policies and action plans, we have been successful in re-engaging with our customers and winning business back. In addition, we have further grown our business through new business initiatives.

Looking at the key segments in the specialty oils and fats business, we have been able to grow gross profit in all our key segments. The bakery segment saw

The commissioning of the new shea solvent fractionation plant in Ghana will enable the confectionary segment to expand its current production capacity.

An aerial view of IOI Oleochemical Industries Berhad in Prai, Penang, Malaysia.

The automated titrator analytical laboratory at IOI Oleochemicals' German site in Witten ensures superior quality of product through precision analysis.

a slight reduction in volume, also due to our capacity constraints in North America, but because of improved product mix and pricing, higher average margin per MT was more than offsetting the volume shortfall. The confectionery segment reported slightly higher volumes, hitting maximum existing capacity levels and waiting for additional production capacity to become available with the commissioning of the new Ghana plant. Margins per MT improved versus last year and hence also overall profitability for the segment. The infant nutrition business showed very strong growth, while average margins per MT were maintained at similar levels as in previous year.

OUTLOOK AND PROSPECTS

Malaysian palm oil production and inventories are expected to rise gradually from July 2018 onwards. Weather forecast has been relatively benign for crop production for the rest of FY2018/2019. Traditional demand has been subdued from major importers due to global uncertainties like the recent trade conflicts, interest rate hikes and import duty changes. However, recent discount of palm oil vis-a-vis mineral oil will see more interest from the energy sector. Mandatory and discretional biodiesel blending from both the origination and destination will be supportive to prices.

As for the oleochemical sub-segment, we are cautiously optimistic with the expectation of continuing stable feedstock prices which would protect our margins. One major downside risk is that the demand for oleochemical products could be affected by market uncertainties arising from the ongoing global trade conflicts. Moreover, glycerine price has since dropped in the second quarter of this year and the high demand for palmitic acid from the animal feed segment has tapered off. In addition, the soap noodle business continued to face intense pricing pressure.

On a positive note, the specialty ester business will launch its new CARE Studio in Hamburg in the second quarter of FY2019 and will continue to introduce new range of products in the pharmaceutical and personal care categories. Coupled with our continuous effort to strive for operational excellence and cost efficiency, we will be able to sustain our overall profitability.

Following the disposal of 70% equity interest in Loders, IOI remains a vital partner in supporting Bunge Loders Croklaan's growth given IOI's expertise in palm oil sourcing and business experience in the fast-growing Asia Pacific region. IOI will continue to be a major supplier of palm oil and palm products to Bunge Loders Croklaan in future. We expect improvement in the overall performance in this 30%-owned specialty fats associate, due to the higher product margins in Europe and the synergies arising from the integration with the larger Bunge set up.

The future performance of the specialty oils and fats is expected to improve with the completion of the new plant in Xiamen, the People's Republic of China.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

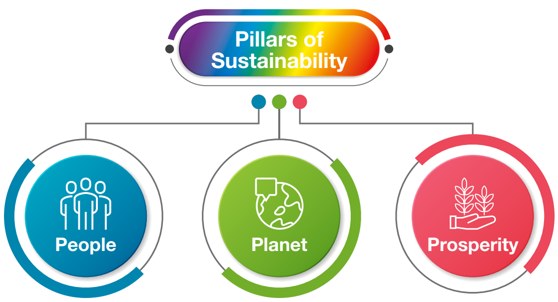
IOI Corporation Berhad ("IOI") has embraced the values of sustainability and corporate responsibility ("CR") since the mid 1990s and embedded them in the Core Values, policy statements and work practices across its global operations.

SUSTAINABILITY

This executive summary highlights the efforts taken by IOI in its sustainability journey, and the policies and initiatives that IOI has devised to support its sustainability and CR. The policies and initiatives are reflective of IOI's long-standing commitment to give back to its employees and surrounding communities (People), protect the environment (Planet) that serve as a support system and base to its business operations, and share its economic success with its shareholders and business partners such as the suppliers and plasma owners (Prosperity).

Objectives

IOI focuses on its commitment towards "Attaining Balance" throughout its operations based on the three pillars ("3Ps") of its sustainability philosophy as shown below:



In line with these three pillars, IOI outlines its contributions to the United Nations ("UN") Sustainable Development Goals ("SDGs"). During the past year, the Group has been diligently improving upon its sustainability policies and tackling key concern areas such as human rights, climate change, and land use. IOI's updated Sustainable Palm Oil Policy ("SPOP") and Sustainability Implementation Plan ("SIP") have played vital roles in helping the Group to address these key concerns.

Sustainability Vision

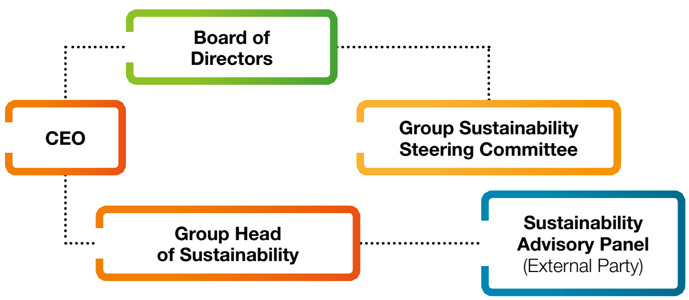
IOI believes it should meet the needs of the present without compromising that of the future generations by:

- Committing to protect, rehabilitate and preserve the environment where it lives 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 business.

Sustainability Governance

IOI's sustainability governance structure is a medium for the Group to progress and respond to future challenges. It comprises the Board of Directors ("BOD"), Group Sustainability Steering Committee, Sustainability Team and Sustainability Advisory Panel ("SAP").

Team	Role
Board of Directors	Approves and monitors the overall strategies and direction of the Group to ensure long-term value creation.
Group Sustainability Steering Committee	Ensures that IOI embeds all its sustainability commitments within the economic, environmental, and social considerations underpinning the Group's operations.
Sustainability Team	Promotes transparent and effective implementation of IOI's sustainability policies. The team is led by IOI's Head of Sustainability and comprises IOI Oleochemical, IOI Plantation, Corporate, Stakeholder Engagement, and Commodity Marketing.
Sustainability Advisory Panel	Advises, reviews and challenges the Group on its sustainability commitments and ambitions, as set out by the SPOP and SIP. This panel comprises external stakeholders who have access to all relevant data and documentation.

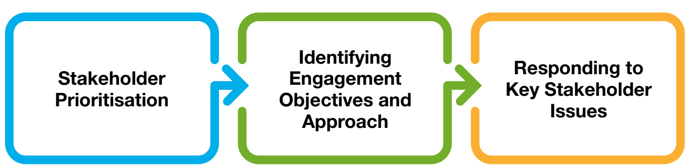


As can be seen in the figure above, both the Chief Executive Officer ("CEO") and the Group Sustainability Steering Committee report directly to the BOD.

Strengthening Sustainability Effort

IOI's efforts in strengthening sustainability can be seen through the appointment of a new Head of Stakeholder Engagement.

Stakeholder engagement is important to IOI, and it strives to practise the following key principles with matters relating to stakeholders:



IOI's Commitment to the 3Ps

IOI has identified four UN SDGs most relevant to IOI's operations and its overall contribution towards these goals. The UN SDGs 8, 12, 13 and 15 are aligned with IOI's three pillars of sustainability, i.e. People, Planet and Prosperity ("3Ps").

People

IOI's People philosophy can be seen through its efforts in human rights at workplace, health and safety and community development and social impact.

Issues	Commitments	
Human Rights at Workplace	• No child labour • Ethical recruitment • No recruitment fee • Equal opportunity and freedom of association	• Orientation and induction training • Grievance mechanism • Compensation and benefits • Labour rights monitoring
Health and Safety	• Medical clinics and health programmes • Personal Protection Equipment ("PPE") • Joint Management/Employee Health and Safety Committee	• Health and safety review • The right to refuse unsafe work • Periodic inspections
Community Development and Social Impact	• Contributions towards education • Contributions towards community welfare • Investments towards health and the environment	• Free, Prior and Informed Consent ("FPIC") Process

Alignment with The United Nations SDGs

SDG 8 – Decent Work and Economic Growth

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value added and labour-intensive sectors.

8.8 Protect labour rights and promote safe and secure working environments of all workers including migrant workers, particularly women migrants, and those in precarious employment.

Policies	Targets	Status (FY17/18)
Labour Rights Monitoring Eliminate all forms of illegal, forced, bonded, and compulsory or child labour and in particular, follow responsible recruitment practice.	Develop internal monitoring system and commence internal audits.	In progress.
Human Rights at Workplace • Uphold the right to freedom of association and recognise the right to collective bargaining and allow trade unions to have access to our workers. • Provide fair and equal employment opportunities for all employees, regardless of race, nationality, religion or gender. Promote a safe and healthy working environment that is free of sexual harassment. • Provide adequate material and resources for the training and development to employees to ensure they reach their full potential.	No retention of workers' passports.	Completed.
	Training and development of employees, including the preparation of adequate training materials.	Continuously ongoing.

Planet

IOI's Planet philosophy can be seen through its efforts in land use plan, rehabilitation and biodiversity, fire prevention, eco-efficiency operations and climate strategy.

Issues	Commitments	
Rehabilitation and Biodiversity	• Biodiversity protection and enhancement • High Conservation Value ("HCV") and High Carbon Stock ("HCS") • Peatland management and rehabilitation	• Integrated Pest Management • Conservation and rehabilitation • Biodiversity conservation initiatives
Fire Prevention	• Emergency Response Programme	• Fire Monitoring System
Operational Eco-efficiency	• Greenhouse gas ("GHG") emission reduction • Sustainable pesticide use	• Waste and water management
Climate Strategy	• No development on peat • Sustainable cultivation and processing • Green energy	• Methane capture facilities • Engagement and advocacy

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Alignment with The United Nations SDGs

SDG 13 – Climate Action and SDG 15 – Life on Land

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

13.2 Integrate climate change measures into national policies, strategies and planning.

15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.

15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

Policies	Targets	Status (FY17/18)
Rehabilitation and Biodiversity As a member of the High Carbon Stock Approach ("HCSA") Steering Group, IOI commits to No Deforestation, No Peat and No Exploitation ("NDPE") policy.	Introduce Zero Burning Policy to further strengthen IOI's commitments towards zero burning practices across its estates, as part of the Group's efforts to proactively protect the environment and combat haze problem.	Policy established, implementation to be continuously ongoing.
Peatland Mapping For existing plantations on peat, appropriate management using Best Management Practices ("BMPs"), as defined in the Roundtable on Sustainable Palm Oil ("RSPO") Principles & Criteria and the RSPO manual on BMPs for existing oil palm cultivation on peat. Where areas are identified as unsuitable for oil palm replanting, based on drainability assessments or other reasons, plans will be developed for the appropriate management of such areas, which could include rehabilitation.	Assessments of peatland prior to any proposed replanting and modified management of peatland if not replanted (one year prior to scheduled replanting).	General mapping completed, specific mapping ongoing.
GHG Reduction Implementation of programmes to progressively reduce GHG emissions, recycle/reuse palm biomass and generate renewable energy by methane capturing.	Develop a transparent GHG reduction strategy for IOI including clear saving targets.	In progress.
Fire Prevention Emergency Response Programme ("ERP").	Full systematic implementation in Indonesia.	Full systematic implementation in place, monitoring to be continuously ongoing.
Establishment of Fire Monitoring System • Fire alert information system. • Fire towers and drones. • Patrolling.	Full systematic implementation in Indonesia.	Full systematic implementation in place, monitoring to be continuously ongoing.
Training programmes on fire emergency and simulation (prevention and control) to respond to the fire occurrences.	Full systematic implementation in Indonesia.	In progress.
Socialisation, dialogue and awareness programmes in forest and land fire prevention to encourage the participation of relevant stakeholders, e.g. communities, neighbouring companies, etc.	Full systematic implementation in Indonesia.	In progress.

Prosperity

IOI's Prosperity philosophy can be seen through its efforts in corporate governance, stakeholder engagement, sustainability certifications and traceable supply chain.

Issues	Commitments		
Corporate Governance	• Corporate responsibility • Anti-corruption	• Grievance and Whistleblowing Policy	• Risk management
Sustainability Certifications	• RSPO certification • RSPO NEXT certification	• Malaysian Sustainable Palm Oil ("MSPO") certification	• International Sustainability and Carbon Certification ("ISCC")
Traceable Supply Chain	• Supply chain	• Responsible sourcing	• Smallholders
Human Rights at Workplace	• Robust grievance mechanism	• No recruitment fee	• Compensation and benefit

Alignment with The United Nations SDGs

SDG 12 – Responsible Consumption and Production

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

SDG 8 – Decent Work and Economic Growth

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading, and innovation, including through a focus on high-value added and labour-intensive sectors.

8.8 Protect labour rights and promote safe and secure working environments of all workers, particularly woman migrants, and those in precarious employment.

Policies	Targets	Status (FY17/18)
Risk Assessment Risk assess all palm oil supplier mills using spatial date and remote sensing information from the World Resource Institute's Global Forest Watch platform, and stakeholder alerts in order to facilitate monitoring of the palm oil supply chain to establish priorities for conducting mill-level verification assessments.	Weekly internal mill alert system.	Completed.
Mill Verification and Monitoring IOI is implementing a programme of mill-level verification assessments within its supplier base, in order to verify compliance with IOI's SPOP. IOI expects all its third-party suppliers of palm oil products to adhere to commitments in the SPOP.	Risk assess all mills every two years. Minimum 10 new mills assessments a year with implementation partner.	Continuously ongoing.
Sustainability Advisory Panel Follow a multi-stakeholder approach as the right way forward to transform the palm oil sector. IOI will work with various stakeholders including its suppliers, customers, non-governmental organisations, governments and independent verification bodies to implement its policies.	Independent verification of IOI's sustainability commitments.	Continuously ongoing.
Sustainability Public Reporting Launch IOI's Palm Oil Dashboard, a public reporting system to communicate traceability information, progress on resolution of outstanding complaints and updates on supplier engagement and verification.	Online information update to improve navigation and accessibility to the mass public, including the update of IOI's Palm Oil Dashboard.	Continuously ongoing.

IOI will continue to challenge itself along its sustainability journey. The Group will do so by further strengthening and expanding the targets found within its chosen UN SDGs 8, 12, 13 and 15, and to weave them into its sustainable strategy and model. IOI will also continue to engage its stakeholders in relation to the implementation of new sustainability initiatives in order to meet the 3Ps of sustainable development. The Group's detailed sustainability efforts and updates on performance and progress are highlighted in its standalone Annual Sustainability Report 2018.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

CORPORATE RESPONSIBILITY

IOI established its foundation which is named after its founder, Tan Sri Dato' 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 RM44 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 260 students with more than RM8.5 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 benefitted more than 1,000 students from over 200 schools in Peninsular Malaysia and Sabah. To date, the programme has funded more than RM4.1 million in the form of sponsorships.

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 benefitted from this programme.

New school bags and stationeries are donated yearly to motivate school children under the Yayasan TSLSC's Student Adoption 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 1,497 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 24 HUMANA learning centres in Sabah which has benefitted about 3,035 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 Initiative

In August 2015, IOI joined the Malaysian Collective Impact Initiative ("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 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.

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

The two schools – SMK Pandamaran Jaya and SMK Tengku Idris Shah – both located in Klang, have 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 play a meaningful role in social transformation in MCII as it moves to make collective impact where it matters.

Social Procurement Initiative

IOI is supporting social procurement through the Impact Driven Enterprise Accreditation ("IDEA") platform to help generate growth from within the country and power a more people-centric economy. Officially launched on 5 September 2017, the IDEA platform, a brainchild of the Malaysian Global Innovation & Creativity Centre ("MaGIC"), allows IOI to scale to new heights by becoming part of a systemic change that drives the nation towards an inclusive economy. The platform also assists IOI to create positive social change and address community issues while providing IOI access to resources and opportunities.

IOI-Puchong STEM Programme

IOI collaborated 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, was a community project aimed at providing STEM exposure to 210 students from 10 schools in Puchong.

IOI contributed RM112,875 to its STEM programme where a two-hour workshop was conducted by Chumbaka every week to promote students' interest towards STEM fields while providing opportunities to spur students' passion to innovate. The project ended with the STEM@Puchong Maker Faire 2017 on 12 November 2017, where 150 students showcased their inventions using knowledge acquired from the STEM programme.

Tan Sri Dato' Lee Shin Cheng attending a Curriculum Day at SJKC Shin Cheng (Harcroft) which was fully funded and built by Yayasan TSLSC in 2007.

Bargain Basement

Bargain Basement is an innovative social enterprise, initiated and managed by Yayasan TSLSC. The charity store started its operation on 1 June 2016 in IOI City Mall, Putrajaya with the motto Give to Inspire Others to Give to encourage the public to donate pre-loved or unused items which will then be sold at affordable prices. The net proceeds from the sale will then be channelled back to the community in need. Bargain Basement has been recognised as one of the 40 Impact Driven Enterprises under MaGIC since 5 September last year. The success of its first shop prompted the opening of a second branch at IOI Mall Puchong on 30 September 2017.

To date, Bargain Basement has contributed a total of RM62,544 to eight beneficiaries, namely Rumah Shalom (Pertubuhan Kebajikan Kristian Aman Selangor), Yayasan Seribu Harapan Malaysia, Pertubuhan Anak Yatim Darul Aminan, Persatuan Kebajikan Kanak-Kanak Cornerstone Selangor, Pusat Jagaan Kanak-Kanak Istimewa Lagenda, Yayasan Chow Kit, Lovely Nursing Home and Lighthouse Children Welfare Home Association; 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 actively participate 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 strive to broaden and enhance its sustainability and CR efforts.

CORPORATE RESPONSIBILITY
SOCIAL CONTRIBUTION

15
JULY 2017

Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC") visited Lotus Charity Care Centre, home to 26 children and 25 senior citizens. RM10,000 and goodie bags were donated to the home.

17
JULY 2017

IOI Pamol Group was chosen as one of the main pit stops for the 18th Environmental Educational Race, an annual active engagement programme on environmental education, covering various locations across the districts of Sabah.

21
AUGUST 2017

A total of 120 IOI Pan-Century ("IOI Pan-Cen") employees took part in a *gotong-royong* activity to keep their company and surroundings clean and mosquito-free. It also encouraged the spirit of patriotism and togetherness among all levels of employees.

31
AUGUST 2017

IOI Pan-Century Oleochemicals Sdn Bhd ("IOI Pan-Cen Oleo") participated in a state-level National Day Parade under the contingent of Pasir Gudang Emergency Mutual Aid ("PAGEMA") as part of its community engagement efforts.

05
SEPTEMBER 2017

Bargain Basement, an initiative by Yayasan TSLSC, was one of the 40 Impact Driven Enterprises ("IDEs") which received the Impact Driven Enterprise Accreditation ("IDEA") status by the Malaysian Global Innovation & Creativity Centre ("MaGIC"). IDEA provides a platform to potentially connect with local and global customers as well as create positive social changes.

16 SEPTEMBER 2017

A group of IOI Loders Croklaan Americas' ("IOILC Americas") employees and their family members participated in the Oktoberfest 5 km Walk/Run that benefitted the Grundy County We Care Organisation, which provides food, clothing, utility assistance and rent/mortgage to the needy.

18 SEPTEMBER 2017

A total of 60 employees participated in a blood donation drive organised by IOI Oleochemical Industries Berhad ("IOI Oleo") to help increase the blood supply of local blood banks.

23 SEPTEMBER 2017

IOI Oleo collaborated with Seberang Perai Municipal Council and the Penang State Forestry Department in Reliving Bukit Juru 2.0 project as a continual support in protecting the environment.

24 SEPTEMBER 2017

Caring IOILC Americas' employees banded together and collected a donation of US$1,700 for the Hurricane Harvey victims. IOILC Americas matched to reach US$3,400.

25 SEPTEMBER 2017

A total of 55 employees participated in a blood screening test which was organised by IOI Oleo in collaboration with Clinipath to boost employees' well-being.

25 SEPTEMBER 2017

Yayasan TSLSC presented a RM10,000 cheque to Montfort Boys Town to support its mission of equipping less fortunate youths with the right skills for employment, and to defray its operational costs of RM6 million per annum.

CORPORATE RESPONSIBILITY

SOCIAL CONTRIBUTION

30
SEPTEMBER 2017

Bargain Basement opened its second branch at IOI Mall Puchong to encourage the public to donate pre-loved or unused items which will then be sold at affordable prices. The net proceeds from the sale will then be channelled back to the community in need.

08
OCTOBER 2017

A total of 2,500 runners including 16 runners from IOI Corporation Berhad ("IOI") donned pink wigs in the second biennial Pink Wig-A-Thon charity run to raise awareness towards the fight against breast cancer and in support of survivors. A total of RM1,280 was also raised.

21–22
OCTOBER 2017

IOI Pan-Cen Oleo employees participated in the 19th Exercise Special Team Operations and Response Mechanism ("Ex Storm"), a disaster simulation exercise organised by the Fire and Rescue Department. The employees trained alongside participants from various other companies under PAGEMA, government departments and agencies where they learnt how to respond swiftly and efficiently with various parties to an emergency.

26
OCTOBER 2017

Bargain Basement donated 19 cartons of adult diapers worth RM2,544 to Lovely Nursing Centre, a home that cares for elderly citizens, terminally ill patients, individuals with special needs and the homeless.

04
NOVEMBER 2017

Yayasan TSLSC awarded RM333,000 in scholarships to 14 outstanding students who are pursuing their full-time undergraduate studies at recognised local higher learning institutions.

12
NOVEMBER 2017

A total of 150 students from the IOI-Puchong STEM (Science, Technology, Engineering and Mathematics) Programme showcased their inventions according to the School of the Future theme to 6,000 people at the STEM@ Puchong Maker Faire 2017. The fair was hosted by Yayasan TSLSC and Agensi Inovasi Malaysia in collaboration with Chumbaka Sdn Bhd.

25–26
NOVEMBER 2017

Bargain Basement participated in the Buy for Impact campaign at Publika Shopping Mall, Kuala Lumpur, which was organised by MaGIC IDEA. The campaign educated the public to channel their purchasing power towards addressing social issues and supporting environmental sustainability.

06 DECEMBER 2017

Yayasan TSLSC held a successful Grant A Wish This Christmas 2017 charity campaign where IOI employees fulfilled the Christmas wishes of 49 underprivileged children from Rumah Victory and Rumah Shalom. Two cheques worth RM10,000 each was also presented to each home to fund their basic necessities.

13 DECEMBER 2017

Bargain Basement donated its net proceeds of RM2,000 to Lighthouse Children Welfare Home Association, home to underprivileged, physically and sexually abused children as well as children from alcohol- and drug-affected families. The donation assisted children in their back-to-school expenses.

14 DECEMBER 2017

Dr Chee Hui Yee, an esteemed volunteer of Tzu Chi Foundation and a professor at Universiti Putra Malaysia who specialises in the study of zoonosis, delivered a lunch talk on ethical eating to encourage IOI employees to practise vegetarian diet.

20 DECEMBER 2017

IOI Oleo initiated a flood relief aid to help employees who were affected by the devastating flood in Penang. A total of 51 employees also received cash aid from Yayasan TSLSC.

31 DECEMBER 2017

IOI Oleo GmbH's Dr Sebastian Reyer and team produced short-chain triglyceride in accordance to the active pharmaceutical ingredient standards, to treat a rare and fatal genetic defect found in infant Felix Theissen.

24 JANUARY 2018

Yayasan TSLSC awarded RM111,200 to 257 needy students from 26 primary and secondary schools in Peninsular Malaysia and Sabah under its Student Adoption Programme 2018. Each primary and secondary student received RM800 and RM1,000 respectively, until the completion of his or her primary and/or secondary education.

CORPORATE RESPONSIBILITY

SOCIAL CONTRIBUTION

09 FEBRUARY 2018

Yayasan TSLSC bought 1,000 bottles of Blessing Nougats worth RM21,000 from Dual Blessing Berhad, which were then distributed to IOI employees in conjunction with the Chinese New Year.

09 & 16 MARCH 2018

IOI Oleo donated 125 reams of A4 papers to five schools, namely Sekolah Kebangsaan Khir Johari, Sekolah Kebangsaan Tamil Prai, Sekolah Rendah St. Mark, Sekolah Kebangsaan Ladang Prye Prai and Sekolah Kebangsaan Tamil Mak Mandin, which helps students from low-income families to make copies of additional revision materials.

23 MARCH 2018

In conjunction with the school holidays, Yayasan TSLSC hosted 34 children from Padmasambhava Children Loving Association and 23 children from Pertubuhan Kebajikan Yesuvin Mahligai Selangor for lunch and a special movie screening of Lee Chong Wei: Rise of the Legend.

23–25 MARCH 2018

IOI held a three-day sustainability awareness drive in Sabah in conjunction with the International Run for Orangutan 2018 exhibition, which was organised to create awareness on the plight of the endangered *orangutans* and to enhance environmental and wildlife care.

05 MAY 2018

IOI Pan-Cen successfully organised its ninth consecutive blood donation drive to support the National Blood Bank and other local blood banks to increase their blood supply. A total of 196 pints of blood was received.

21–25 MAY 2018

Representatives from IOI visited the local communities in the vicinity of IOI Pelita's Sejap and Tegai Estates to update them on IOI's progress with the Roundtable on Sustainable Palm Oil and also contributed cash to each community in light of the *Gawai* celebration.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

DATO' LEE YEOW CHOR
Chief Executive Officer

LEE CHENG LEANG
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

LEE YEOW SENG
Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Datuk Karownakaran @ Karunakaran a/l Ramasamy*
Chairman

Tan Sri Peter Chin Fah Kui*

Cheah Tek Kuang*

Lim Tuang Ooi^

GOVERNANCE, NOMINATING AND REMUNERATION COMMITTEE

Tan Sri Peter Chin Fah Kui*
Chairman

Tan Sri Dr Rahamat Bivi binti Yusoff*

Datuk Karownakaran @ Karunakaran a/l Ramasamy*

Cheah Tek Kuang*

EXECUTIVE SHARE OPTION SCHEME COMMITTEE

Tan Sri Dato' Lee Shin Cheng
Chairman

Dato' Lee Yeow Chor

Lee Yeow Seng^

COMPANY SECRETARY

Vincent Tan Choong Khiang
(MAICSA 7018448)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 29, IOI City Tower 2
Lebuh IRC, IOI Resort City
62502 Putrajaya
Wilayah Persekutuan (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

EMAIL ADDRESS

corp@ioigroup.com

** Independent Non-Executive Director*
^ Non-Independent Non-Executive Director

BOARD OF DIRECTORS

TAN SRI DATO' LEE SHIN CHENG
Executive Chairman

LEE CHENG LEANG
Executive Director

LEE YEOW SENG
Non-Independent
Non-Executive Director

DATO' LEE YEOW CHOR
Chief Executive Officer

CHEAH TEK KUANG
Independent
Non-Executive Director

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

LIM TUANG OOI
Non-Independent
Non-Executive Director

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

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

PROFILE OF DIRECTORS

Attended Board Meetings
5/7 (71%)

Tan Sri Dato' Lee Shin Cheng

E

Executive Chairman
Age 79, Male, Malaysian

Date of Appointment
21 July 1981

Qualification
- Honorary Doctorate Degree of Doctor of Science, Universiti Malaya
- Honorary Doctorate Degree in Agriculture, Universiti Putra Malaysia

Working Experience
- Honorary President of the Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM")
- Council Member of the East Coast Economic Region Development Council ("ECERDC") from 2008 to 2014
- Fellowship of the Incorporated Society of Planters ("FISP")
- Honorary Fellowship of the Malaysian Oil Scientists' and Technologists' Association ("MOSTA")

Directorship of Other Listed Issuers/Public Companies
- Listed Issuer
  - Executive Chairman of IOI Properties Group Berhad
- Public Company
  - Executive Chairman of IOI Properties Berhad

Attended Board Meetings
7/7 (100%)

Dato' Lee Yeow Chor

E

Executive Director/Chief Executive Officer*
Age 52, Male, Malaysian

Date of Appointment
25 April 1996*

Qualification
- LLB (Honours), King's College, London
- Bar Finals, Gray's Inn, London
- Postgraduate Diploma in Finance and Accounting, London School of Economics

Working Experience
- Chairman of the Malaysian Palm Oil Council ("MPOC") since 2009
- Council Member of the Malaysian Palm Oil Association ("MPOA")
- Served in the Malaysia Attorney General's Chambers and the Malaysia Judiciary Service for approximately four (4) years, last posting was a Magistrate
- Director of Central Bank of Malaysia from March 2015 to March 2018

Directorship of Other Listed Issuers/Public Companies
- Listed Issuers
  - Non-Independent Non-Executive Director of IOI Properties Group Berhad
  - Non-Independent Non-Executive Director of Bumitama Agri Ltd
- Non-Profit Public Company
  - Trustee of Yayasan Tan Sri Lee Shin Cheng
- Public Company
  - Non-Executive Director of IOI Properties Berhad

Committee Membership Key

- Committee Chairman
- Committee Member
- A Audit and Risk Management
- GNR Governance, Nominating and Remuneration
- E Executive Share Option Scheme

Attended Board Meetings **7/7 (100%)**

Lee Cheng Leang

Executive Director
Age 70, Male, Malaysian

Date of Appointment
21 July 1981

Qualification
- Senior Cambridge

Working Experience
- Considerable experience in the hardware, chemical and industrial gas industry

Directorship of Other Listed Issuers/ Public Companies
- Listed Issuers
  - None
- Public Companies
  - None

Attended Board Meetings **6/7 (86%)**

Lee Yeow Seng

E

Non-Independent Non-Executive Director
Age 40, Male, Malaysian

Date of Appointment
3 June 2008

Qualification
- LLB (Honours), King's College, London
- Barrister-at-law from Bar of England & Wales, Inner Temple

Working Experience
- Involved in corporate affairs and general management within IOI Group prior to the demerger and listing of IOI Properties Group Berhad
- Served at the London and Singapore offices of a leading international financial services group for approximately two (2) years

Directorship of Other Listed Issuers/ Public Companies
- Listed Issuer
  - Executive Director/Chief Executive Officer of IOI Properties Group Berhad
- Public Company
  - Executive Director of IOI Properties Berhad

Attended Board Meetings **7/7 (100%)**

Tan Sri Peter Chin Fah Kui

GNR A

Senior Independent Non-Executive Director
Age 73, Male, Malaysian

Date of Appointment
1 December 2014

Qualification
- Barrister-at-Law from Gray's Inn, London

Working Experience
- Held various senior appointments in the Malaysian Government Administration from 1968 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)
- Chairman for Miri Council in 1984
- Member of Parliament for Lambir
- Miri constituencies in Sarawak from 1986 to 2013
- Special Advisor to Malaysian Green Technology Corporation ("MGTC")
- Chairman of MGTC from 7 April 2015 to 6 April 2018

Directorship of Other Listed Issuers/ Public Companies
- Other Listed Issuers
  - None
- Non-Profit Public Company
  - Trustee of Yayasan Tan Sri Lee Shin Cheng

PROFILE OF DIRECTORS

Attended
Board Meetings
6/7 (86%)

Tan Sri Dr Rahamat Bivi binti Yusoff

GNR

Independent Non-Executive Director
Age 61, Female, Malaysian

Date of Appointment
15 August 2017

Qualification
- Ph.D. in Political Science and International Relation, Australian National University
- Master of Economics, University of Western Michigan, USA
- Bachelor of Social Science (Economics) (Honours) degree, Universiti Sains Malaysia
- Diploma in Public Administration the Institute of Public Administration (INTAN), Malaysia

Working Experience
- Co-Chairperson of Malaysia-Thailand Joint Authority
- Chairman of Perbadanan Insurans Deposit Malaysia
- Chairman of Malaysia Nuclear Power Corporation
- Member of Asian Development Bank Institute
- Ministry of Finance ("MOF") (Tax, contract and supply divisions) as Assistant Secretary from 1981 to 1988
- Project Officer in Institute of Public Administration from 1988 to 1991
- Assistant Director, Macroeconomic and Evaluation Section of Economic Planning Unit ("EPU") in Prime Minister's Department from 1991 to 1993. Promoted to the position of Principal Assistant Director, Macroeconomic and Evaluation in 1994, Principal Assistant Director, Section Industry and Section Industry and Services in 2001
- Seconded to the Energy Commission as Director in June 2002 under Secretary of Economic Division of MOF
- Director, Budget Division in MOF
- Deputy Secretary General (Systems & Controls)
- Director General of EPU from 2011 to June 2017

Directorship of Other Listed Issuers/Public Companies
- Other Listed Issuers
  - None
- Public Company
  - Independent Non-Executive Director of Ekuiti Nasional Berhad

Attended
Board Meetings
7/7 (100%)

Datuk Karownakaran @ Karunakaran a/l Ramasamy

A GNR

Independent Non-Executive Director
Age 68, Male, Malaysian

Date of Appointment
17 July 2011

Qualification
- Bachelor of Economics (Accounting) (Honours) degree, University of Malaya
- Post Graduate Course in Industrial Project, Planning, University of Bradford, UK

Working Experience
- Chairman of Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad) from March 2016 to December 2017
- Director of Sime Darby Motors Sdn Bhd from December 2012 to October 2017
- Director of Maybank (Cambodia) Plc from October 2012 to October 2017
- Chairman/Director of Maybank Private Equity Sdn Bhd from May 2013 to December 2016
- Director of Maybank Asset Management Group Bhd from 2012 to 2016
- Director of Maybank Investment Bank Berhad from 2009 to 2014
- Joined the Malaysian Investment Development Authority [formerly known as Malaysian Industrial Development Authority ("MIDA")] in August 1972 and served in various positions including Director and Director-General
- Member of the Cabinet Committee on Investment

Directorship of Other Listed Issuers/Public Companies
- Other Listed Issuers
  - Chairman of Integrated Logistics Berhad
  - Director of Malayan Banking Berhad
  - Director of Bursa Malaysia Berhad
- Public Companies
  - Chairman of Maybank Ageas Holdings Berhad
  - Chairman of Etiqa General Insurance Berhad
  - Chairman of Etiqa Life Insurance Berhad
  - Chairman of Etiqa International Holding Berhad

Attended
Board Meetings
7/7 (100%)

Cheah Tek Kuang

A GNR

Independent Non-Executive Director
Age 71, Male, Malaysian

Date of Appointment
22 August 2012

Qualification
- Bachelor of Economics Degree,University of Malaya
- Fellow of The Asian Institute of Chartered Bankers (formerly known as the Institute of Bankers Malaysia)

Working Experience
- Joined Malaysian Industrial Development Authority in 1970
- Joined AmInvestment Bank Berhad in 1978 and was promoted to Managing Director in 1994
- Appointed as Group Managing Director of AMMB Holdings Berhad on 1 January 2005 till his retirement in April 2012

Directorship of Other Listed Issuers/Public Companies
- Other Listed Issuers
  - Independent Non-Executive Director of Velesto Energy Berhad (formerly known as UMW Oil & Gas Corporation Berhad)
  - Independent Non-Executive Director of Eco World International Berhad
- Public Company
  - Director of Berjaya Golf Resort Berhad
- Non-Profit Public Companies
  - Committee Member of Malaysian Institute of Art
  - Governor of Yayasan Bursa Malaysia

Attended
Board Meetings
6/7 (86%)

Lim Tuang Ooi

A GNR

Non-Independent Non-Executive Director
Age 56, Male, Malaysian

Date of Appointment
17 January 2011

Qualification
- Member of the Institute of Chartered Accountants in England and Wales
- Member of Chartered Institute of Public Finance and Accountancy, UK
- Member of Malaysian Institute of Certified Public Accountant
- Member of Malaysian Institute of Accountants

Working Experience
- Senior General Manager of the Employees Provident Funds Malaysia
- Worked in the areas of audit and consultancy in KPMG
- 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
- Was the Chief Financial Officer of Hong Leong Bank Behad

Directorship of Other Listed Issuers/Public Companies
- Other Listed Issuers
  - None
- Public Company
  - None

Committee Membership Key

Committee Chairman
Committee Member
A Audit and Risk Management
GNR Governance, Nominating and Remuneration
E Executive Share Option Scheme

Notes:
1. *Save as disclosed above, none of the Directors has:*
   (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 2018.*

SENIOR MANAGEMENT TEAM

Executive Chairman
Tan Sri Dato' Lee Shin Cheng

Chief Executive Officer
Dato' Lee Yeow Chor

Executive Director
Lee Cheng Leang

CORPORATE

Group 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

Head of Business Systems and Information Technology
Alvin Lee Chin Huat

Head of Group Internal Audit
Ling Kea Ang

Left to right
Tan Sri Dato' Lee Shin Cheng
Dato' Lee Yeow Chor
Lee Cheng Leang
Lee Tuan Meng
Sudhakaran a/l Nottath Bhaskaran
Lim Jit Uei
Tan Kean Hua

PLANTATION

Plantation Director
Sudhakaran a/l Nottath Bhaskaran

Senior General Manager, Plantations
Ragupathy a/l Selvaraj

Head of Plantations, PT Sawit Nabati Agro
Subramaniam a/l Arumugam

COMMODITY MARKETING

Group Head of Commodity Marketing
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

PROFILE OF SENIOR MANAGEMENT TEAM

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

CORPORATE

Lee Tuan Meng
Group Chief Financial Officer

Age 58

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 of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA"). He has more than thirty-five (35) years of experience in accounting, taxation, 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 (Group Account, Finance and Corporate Planning) in a large Japanese automotive group.

Farah Suhanah Ahmad Sarji
Group Legal Counsel

Age 53

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

Age 58

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.

CORPORATE

Vincent Tan Choong Khiang
Company Secretary

Age 48

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. He is one of MAICSA representatives on the Corporate Practice Consultative Forum Accounting & Audit Sub-Committee set up by the Companies Commission of Malaysia. He is also the representative of MAICSA on the ASEAN Corporate Secretaries Network.

He is the Head of Corporate Secretarial in IOI Group and is responsible of monitoring and supervising the overall corporate secretarial functions of IOI Group. He has vast 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.

Alvin Lee Chin Huat
Head of Business Systems and Information Technology

Age 44

Date of Appointment:
18 June 2018

Skills and Experience:
Mr Alvin Lee holds a Master of Science [Information Technology ("IT")] from Universiti Putra Malaysia. He has more than seventeen (17) years of experience in IT business application, with specialisation in network, systems, database and software project development in diverse exposures of different industries ranging from automative, machineries, retail, merchandising to manufacturing.

PROFILE OF SENIOR MANAGEMENT TEAM

CORPORATE

Ling Kea Ang
Head of Group Internal Audit

Age 50

Date of Appointment:
1 July 2015

Skills and Experience:
Mr Ling Kea Ang is a Chartered Accountant and holds The Association of Chartered Certified Accountants ("ACCA") qualification and is a member of the Malaysian Institute of Accountants ("MIA") and Institute of Internal Auditors Malaysia.

He has more than twenty-five (25) years of experience in external and internal auditing. Prior to joining IOI Group, he was attached to one of the Big Four international accounting firms and had acquired broad experience in auditing, tax and accounting of large publicly listed companies listed on the Bursa Malaysia Berhad, large multinational corporations and privately owned businesses which were involved in various business sectors of the Malaysian economy. He was also assigned to carry out internal audit and Sarbanes-Oxley Section 404 audit of multinational corporations.

PLANTATION

Sudhakaran a/l Nottath Bhaskaran
Plantation Director

Age 59

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 posting to Head Office as Senior General Manager, Plantations Division. He was subsequently promoted to Plantation Director on 1 July 2017.

Ragupathy a/l Selvaraj
Senior General Manager, Plantations

Age 60

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.

PLANTATION

Subramaniam a/l Arumugam

Head of Plantations,
PT Sawit Nabati Agro

Age 54

Date of Appointment:
1 March 2018

Skills and Experience:
Mr Subramaniam a/l Arumugam holds a Bachelor of Science (Agribusiness) degree from the University Pertanian Malaysia. He has over twenty-nine (29) years working experience in the plantation industry and held positions of General Manager as well as Regional Controller in various big plantation companies in Malaysia and Indonesia. Prior to joining IOI Group, he was the Regional Controller at Sinarmas (Golden Agri Resources).

COMMODITY MARKETING

Lim Jit Uei

Group Head of Commodity Marketing

Age 44

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

Age 55

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 (UK), a Professional Engineer (Malaysia), a First Grade Steam Engineer and a Certified Energy Manager. 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. He is also a Chartered Scientist and guides the Research and Development being conducted at Sandakan Refinery to reduce 3-MCPD and GE in palm oil products.

PROFILE OF SENIOR MANAGEMENT TEAM

OLEOCHEMICAL

Tan Kean Hua
Executive Director

Age 54

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, UK (FIChemE) and Chartered Engineer of The Engineering Council, UK (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

Age 60

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

Age 55

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's Degree in Business Administration from University Science Malaysia. He has extensive working experience in oleochemical industry and has been working with IOI Group since 1997. Before his appointment as Chief Operating Officer in July 2016, he was the Senior General Manager.

OLEOCHEMICAL

Thomas Kummer
Chief Operating Officer,
Germany

Age
49

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.

Notes:
Save as disclosed, none of the above senior management team members has:
(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;
(e) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year; and
(f) any shares in the Company (whether directly or indirectly) except for the below direct shareholding:
- *Sudhakaran a/l Nottath Bhaskaran (245,600 shares)*
- *Ragupathy a/l Selvaraj (500,000 shares)*
- *Tan Kean Hua (54,400 shares)*

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

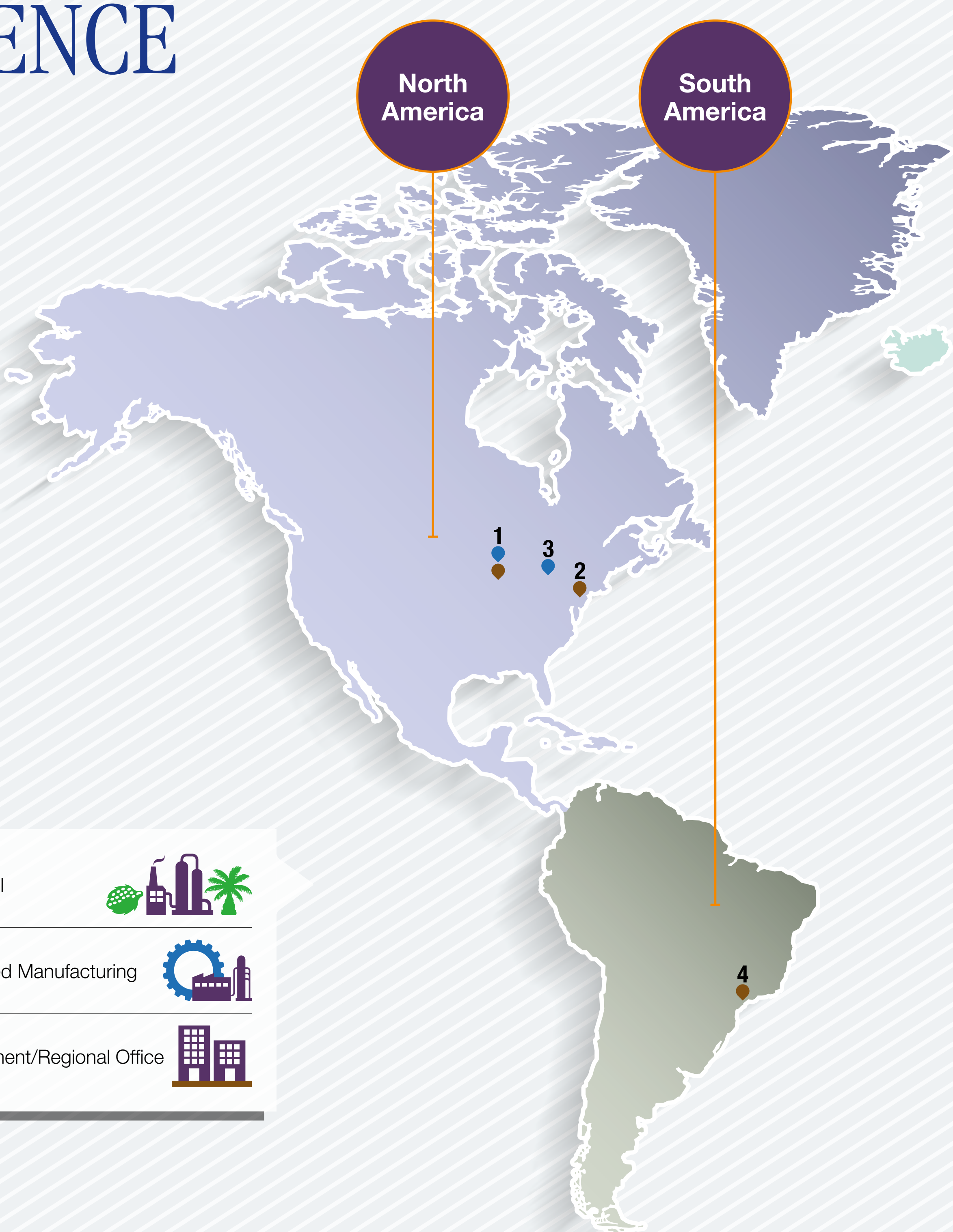
BUNGE LODERS CROKLAAN GROUP*

Specialty Oils and Fats

Palm Oil Refinery and Fractionation

** associate company after the completion of divestment of 70% equity interest in Loders*

GLOBAL PRESENCE



Plantation & Mill

Resource-Based Manufacturing

Sales/Procurement/Regional Office

*associate company after the completion of divestment of 70% equity interest in Loders

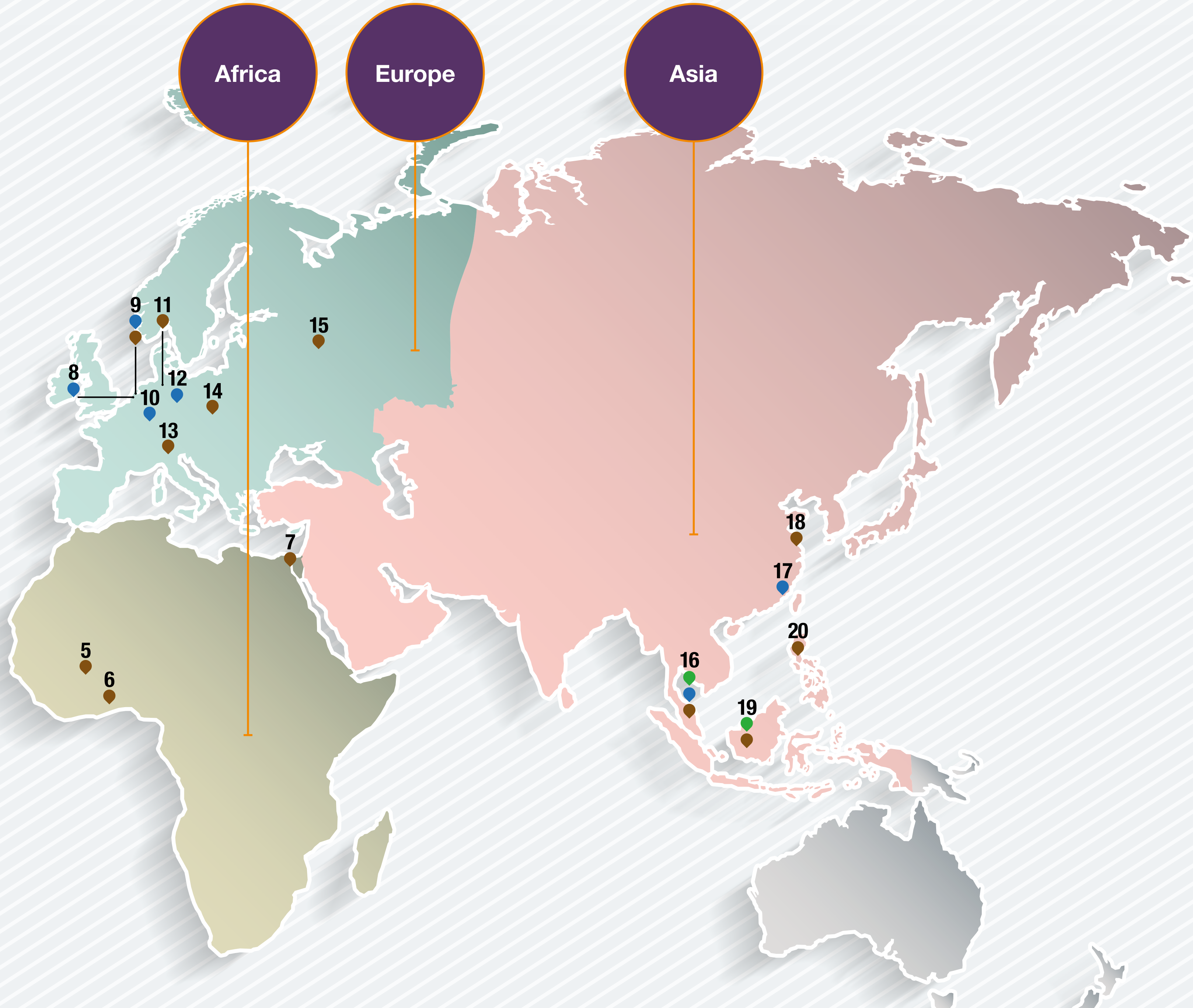
#includes associate company's refinery and specialty oils and fats' operation

North America

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

South America

4 Sao Paulo, Brazil*



Africa

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

Europe

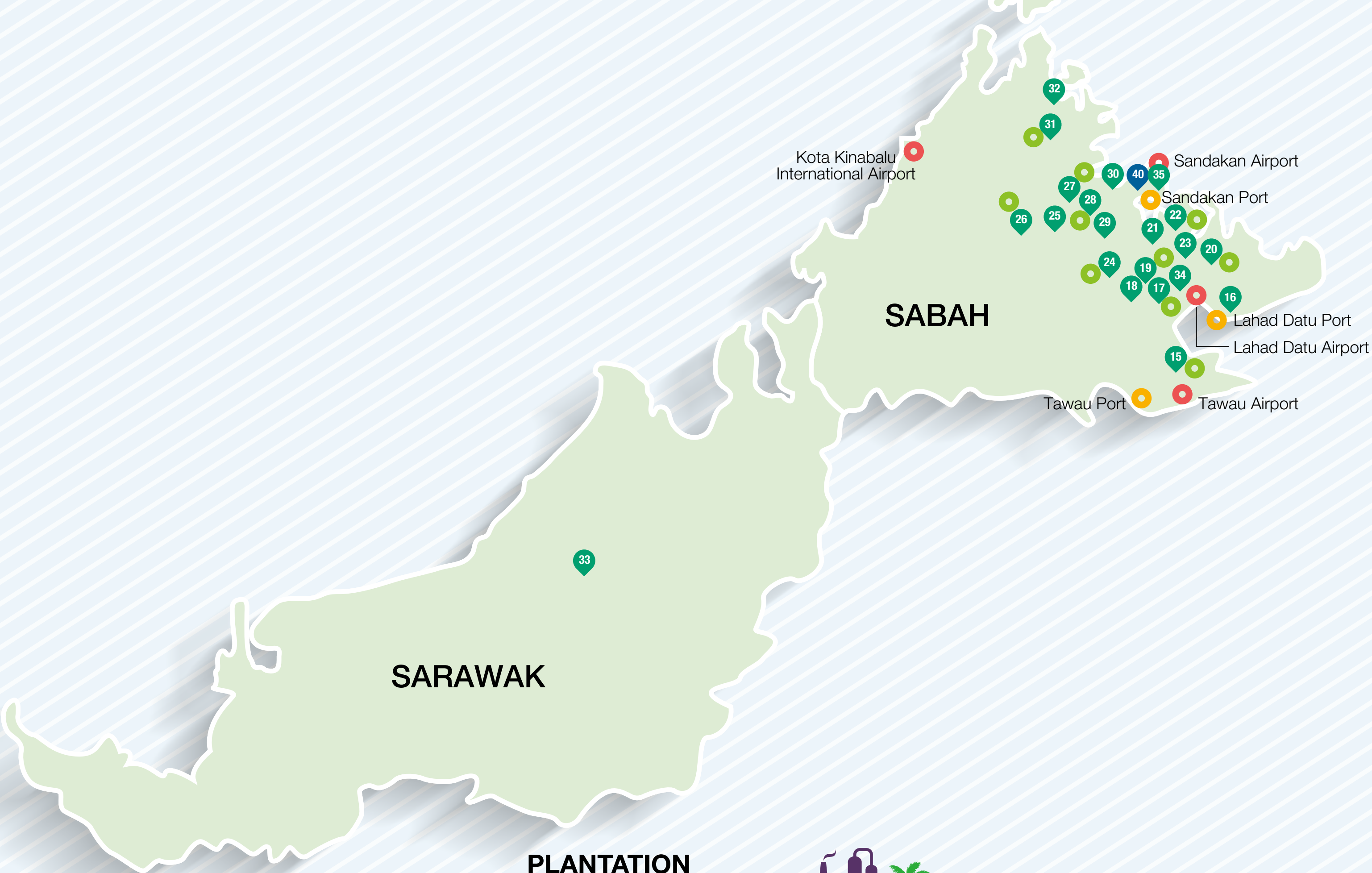
- 8 Rotterdam, The Netherlands*
- 9 Wormerveer, The Netherlands*
- 10 Witten, Germany
- 11 Hamburg, Germany
- 12 Wittenberge, Germany
- 13 Milan, Italy*
- 14 Warsaw, Poland*
- 15 Moscow, Russia*

Asia

- 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*

LOCAL PRESENCE

*associate company after the completion of divestment of 70% equity interest in Loders



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 & Pamol Research Centre

PLANTATION (EAST MALAYSIA)

15	Baturong 1-3 Estates
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 1-4 Estates
24	Syarimo 1-9 Estates
25	Bimbingan 1-2 Estates
26	Mayvin 1-2 & 5-6 Estates & Tangkulap Estate
27	Laukin Estate
28	Ladang Sabah Estates, IOI Research Centre & Sandakan Regional Office
29	Linbar 1-2 Estates
30	Sakilan Estate
31	Pamol Sabah Estates & Pamol Sabah Research Centre
32	Sugut Estate
33	Sejap Estate & Tegai Estate
34	Lahad Datu Regional Office
35	Sandakan Regional Town Office

RESOURCE-BASED MANUFACTURING

36	IOI Oleochemical Operations
37	IOI Pan-Century Oleochemical & Refinery Operations
38	Lipid Enzymtec Plant*
39	Palm Oil Refinery & Specialty Fats Operations*
40	IOI Palm Oil Refinery & Kernel Crushing Plant

CORPORATE CALENDAR

01 JULY 2017

IOI Loders Croklaan's ("IOILC") Shea Sustainability Program which was launched in 2017, supports the well-being and economic empowerment of women who collect shea nuts. Other goals include minimising the environmental impact of the shea supply chain and achieving 100% traceability of the shea nuts.

10 JULY 2017

IOI Corporation Berhad ("IOI") organised its third Supplier Technical Workshop which was facilitated by Proforest. It was part of the Supplier Engagement Programme to transform the palm oil supply chain and was attended by 70 participants from 40 mills in Sabah.

01 AUGUST 2017

IOI Loders Croklaan Asia ("IOILC Asia") held a ground-breaking ceremony on the construction of its new chemical interesterification ("CIE") production plant to offer its customers a range of low trans specialty product options.

09 AUGUST 2017

In line with IOI's commitment to respect and uphold the rights of all workers, IOI ended its passport retention practice. A foreign workers' passport handover ceremony was held at Sagil Estate. New lockers have been installed in all estates in Malaysia for workers to keep their passports.

21 AUGUST 2017

IOI bagged a silver award for the Highest Return on Equity over Three Years in the Plantation Sector category at The Edge Billion Ringgit Club Corporate Awards 2017.

05 SEPTEMBER 2017

IOI pledged to support the Malaysian Global Innovation & Creativity Centre's ("MaGIC") Impact Driven Enterprise Accreditation ("IDEA") initiative and became one of the impact partners to support social procurement in order to drive growth from within the country and create a more people-centric economy.

07 SEPTEMBER 2017

IOILC introduced its quarterly Sustainability Newsletter to highlight its journey towards building a sustainable, traceable and transparent supply chain.

12 SEPTEMBER 2017

IOI Lipid Enzymtec Sdn Bhd ("IOILE") was accorded the prestigious Bioeconomy Excellence Award 2017 in the bio-industrial sector at the BioMalaysia & Asia Pacific Bioeconomy 2017. The award acknowledged IOILE as a modern manufacturing facility with fully-integrated processing capability to produre Modified Structured Lipids using biotechnology processes as well as high quality palm products.

12 SEPTEMBER 2017

IOI entered into a definitive sale and purchase agreement to divest a 70% equity stake in IOILC for RM3.94 billion to US-based global agribusiness and food company Bunge Limited.

07 OCTOBER 2017

IOILC Asia won the Award of Excellence from Johor Biotechnology & Biodiversity Corporation for its Talent Recruitment Programme initiated since 2016.

04 OCTOBER 2017

IOILC Asia marked the commencement of the civil and structural construction of its new CIE plant that is targeted to increase the capacity of the low trans specialty product range to serve the rising market demand of low and/or no trans-fat food products.

09 NOVEMBER 2017

IOI Loders Croklaan Canada held a ribbon cutting ceremony commissioning its Project Vertex which targets the mitigation of contaminants and expansion into new markets with the installation of a 65,000 metric tonne deodoriser.

CORPORATE CALENDAR

28
NOVEMBER 2017

IOILC won the Sustainability Champion Award at the Food Ingredients Europe Innovation Awards in Frankfurt, Germany for its efforts in building a traceable, transparent and sustainable palm oil supply chain.

12
DECEMBER 2017

IOI Oleochemical Industries Berhad's ("IOI Oleo") subsidiaries, IOI Pan-Century Oleochemicals Sdn Bhd ("IOI Pan-Cen Oleo") and IOI Acidchem Sdn Bhd ("IOI Acidchem"), bagged a total of 10 awards at the prestigious 14th Chemical Industries Council of Malaysia Responsible Care Awards 2016/2017.

IOI Pan-Cen Oleo won two Gold Awards for Process Safety Code, and Community Awareness and Emergency Response. It also garnered three Silver Awards for Pollution Prevention Code, Employee Health and Safety Code, and Distribution Code.

IOI Acidchem won three Gold Awards for Pollution Prevention Code, Employee Health and Safety Code, and Distribution Code as well as two Silver Awards for Process Safety Code, and Community Awareness and Emergency Response.

15
FEBRUARY 2018

IOI and IOILC partnered with Kerry Group Asia and the Fortuna Palm Oil Mill in Sabah to implement a three-year Small-Growers Support Programme to support the inclusion of smallholders into IOI's supply chain and boost small farmers' productivity by helping them implement sustainable agricultural practices.

01
MARCH 2018

IOI completed the divestment of 70% equity stake in IOILC to Bunge Limited for RM3.79 billion while retaining a 30% associate stake in IOILC (renamed as Bunge Loders Croklaan).

03
MARCH 2018

IOI officially relocated its headquarters to IOI City Tower 2, a Green Building Index ("GBI") certified and Grade 2 office building in IOI Resort City.

07–08 MARCH 2018

The Organisation for the Prohibition of Chemical Weapons ("OPCW") and the National Authority Chemical Weapons Convention ("NACWC"), under the Ministry of Foreign Affairs, conducted an inspection on IOI Acidchem and IOI Esterchem (M) Sdn Bhd. They are certified to be in compliance with the Chemical Weapon Convention ("CWC") Act that bans the development, production, possession or use of chemical weapons.

23 MARCH 2018

IOI Pan-Cen Oleo received the Exceptional Achievement Award at the Prime Minister's Hibiscus Award ("PMHA") 2016/17 ceremony for its exemplary performance in protecting the environment and promoting sustainable development.

19 APRIL 2018

IOI has been named as one of the Top 20 Most Attractive Employers in Malaysia by Randstad, one of the world's leading recruitment agencies, in their third annual Employer Brand Awards 2018.

02 MAY 2018

In conjunction with the World Occupational Safety and Health ("OSH") Day 2018, IOI Pan-Century participated in the Mega OSH Tool Box 2018 which was recognised by the Malaysia Book of Records for gathering 52,494 participants from 800 premises to simultaneously perform a safety toolbox exercise.

13 May 2018

A total of 102 employees from IOI joined over 4,000 participants in the Palm Oil Centennial Run in Putrajaya to commemorate 100 years of commercial oil palm cultivation in Malaysia, and to recognise the many contributions of Malaysian palm oil industry towards the growth of the nation's economy.

21 JUNE 2018

IOI and All Malayan Estates Staff Union ("AMESU") signed the IOI/AMESU Collective Agreement 2018 for the benefit of IOI and its employees. The agreement is effective from 1 January 2018 until 31 December 2020.

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. This statement sets out the principles and features of IOI Group's corporate governance framework and highlights main areas of focus and priorities for the Board during 2018/2019.

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 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.

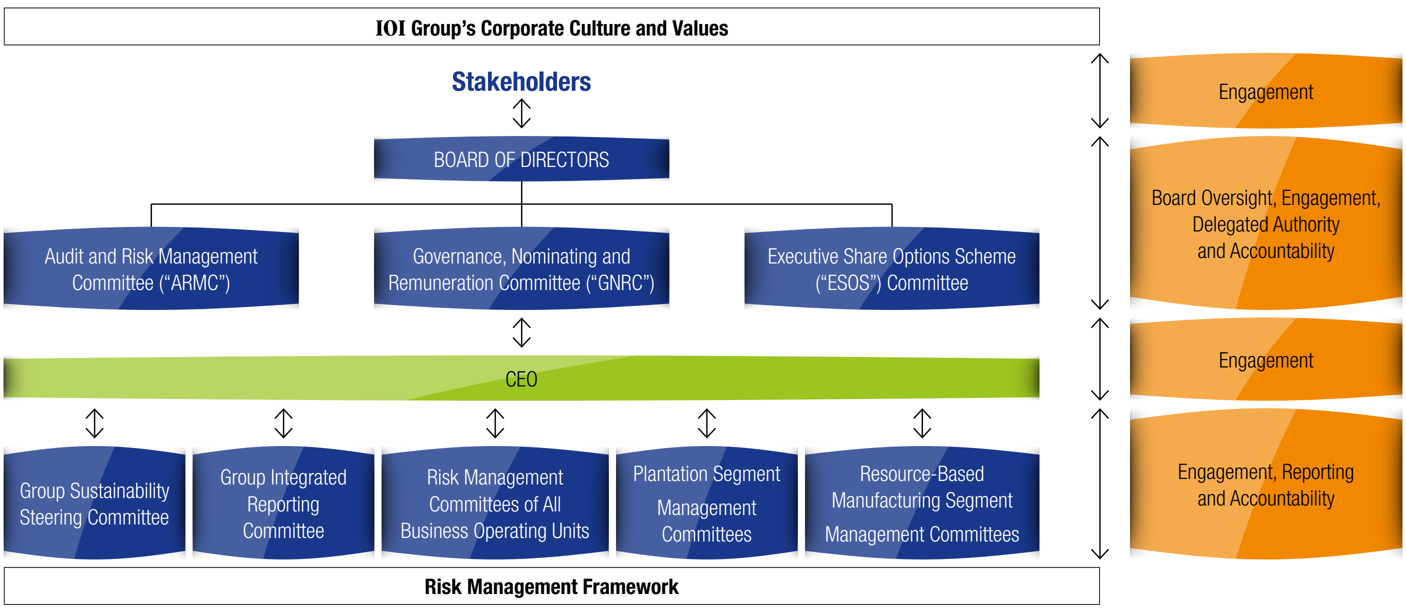
HOW OUR GOVERNANCE SUPPORTS THE DELIVERY OF OUR STRATEGY

All Directors are collectively responsible for the success of IOI Group. The Non-Executive Directors exercise independent, objective judgement in respect of Board decisions, and scrutinise and challenge management. They also have various responsibilities concerning the integrity of financial information, internal controls and risk management.

The Board is responsible for setting our strategy and policies, overseeing risk and corporate governance, and monitoring progress towards meeting our objectives and annual plans. It is accountable to our shareholders for the proper conduct of the business and our long-term success, and represents the interests of all stakeholders. The Board conducts a review of the Group's overall strategy. The Chief Executive Officer ("CEO"), Group Chief Financial Officer ("CFO") and senior management team take the lead in developing our strategy, which is then reviewed, constructively challenged and approved by the Board.

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 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 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

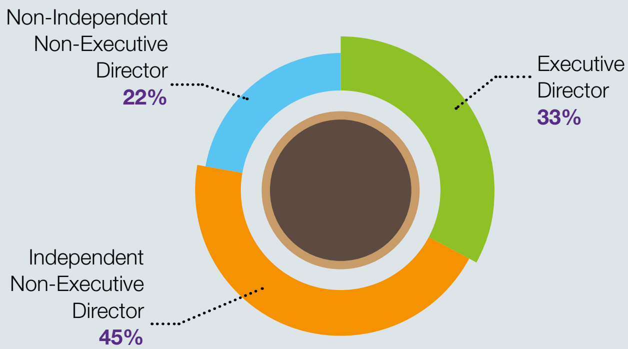
The Board considers that the Company has complied with the provisions and applied the main principles of the CG Code for the whole of the financial year ended 30 June 2018 ("FY2018") till 12 September 2018 except:

- Practice 4.1 (The Board comprises a majority of Independent Directors)
- Practice 4.5 (The Board must have at least 30% women Directors)
- 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)
- Practice 12.3 (Listed company 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 meetings)

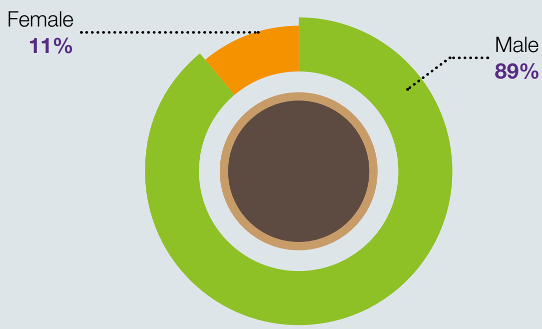
Details of how we applied the CG Code principles and complied with its practices, are set out in Corporate Governance ("CG") Report. The explanation for departure is further disclosed in the CG Report.

BOARD COMPOSITION

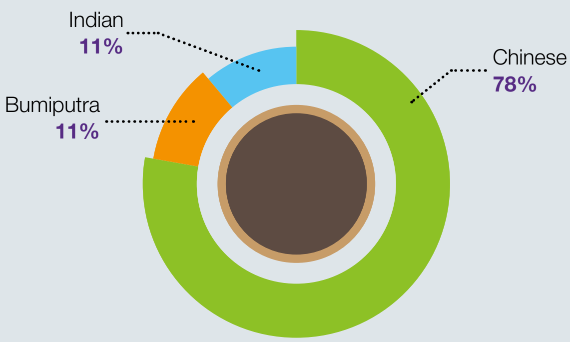
Board Composition as at 30 August 2018



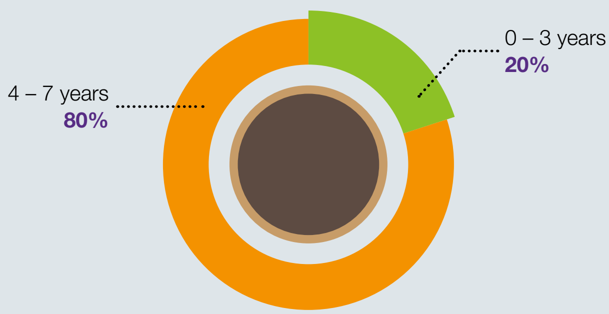
Gender Diversity as at 30 August 2018



Ethnic Diversity as at 30 August 2018



Tenure of Non-Executive Directors Exclude Lee Yeow Seng as at 30 August 2018



Changes to the Composition of the Board and its Committees for FY2018

Tan Sri Dr Rahamat Bivi binti Yusoff
Appointed to the Board on 15 August 2017
and became a member of GNRC
with effect from 1 September 2017

Lim Tuang Ooi
Appointed to the ARMC member
on 20 April 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD EFFECTIVENESS

Board Leadership, Roles and Responsibilities

Our Board is responsible for the effective leadership and long-term success of the Group. It has a schedule of matters specifically reserved to it for decision and has approved the written terms of reference of the various Committees to which it has delegated its authority in certain matters.

The Board has delegated certain of its responsibilities to the Committees of the Board. Further detail on the work of the ARMC and GNRC is provided later in this Statement. The terms of reference of each of the Board's Committees are available on request from the Company Secretary and are available on our website.

As at 12 September 2018, the Board comprised six (6) Non-Executive Directors and three (3) Executive Directors. The Non-Executive Directors ("NED") have a diverse range of skills and experience which enables them to oversee business performance and provide constructive challenge. The Executive Directors have extensive commercial, legal, financial and operational experience both within IOI Group and beyond.

Effective operation of the Board relies on clarity of the various roles and responsibilities of the individual Board members. Of particular importance are the roles of the Executive Chairman and CEO. The roles of Executive Chairman and CEO are split. Tan Sri Dato' Lee Shin Cheng, our Executive Chairman, is responsible for leadership of the Board. Our CEO, Dato' Lee Yeow Chor, leads the senior management team and has executive responsibility for running our business. The diligent way in which the Chairman of the Board Committees and their members carry out their Committee duties enables us to discharge our responsibilities efficiently and effectively.

The Board discharges its responsibilities through a programme of meetings that includes regular reviews of financial performance and critical business issues, annual budget and strategy review. The Board also aims to ensure that a good dialogue with our shareholders is maintained and that their issues and concerns are understood and considered.

During FY2018, the Board and their Committees reviewed the operations, performance and effectiveness of the Board Committees, and we are pleased to inform that the Board Committees continue to operate effectively.

The Company Secretary ensures that the Board members receive briefings on changes in CG, regulation or law, as circumstances requires. During FY2018, this included a briefing on integrated reporting by PricewaterhouseCoopers at our office.

Directors' Core Areas of Expertise

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

Area	%	Skills and experience
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
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 and 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
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 and Agronomy 33%

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

Financial Acumen 56%

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

Risk Management and 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

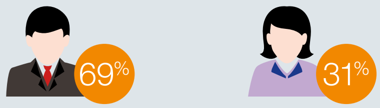
DIVERSITY

Appointment to the Board and Diversity

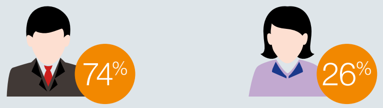
The GNRC and, where appropriate, the full Board, review the composition of the Board and the status of succession to both senior executive management and Board-level positions. The Board has adopted a Board Diversity Policy, which supports the GNRC in its approach to succession planning. The said Policy can be found on the Company's website at www.ioigroup.com/Content/G/G_Governance.

We recognise that the Board sets the tone for inclusion and diversity across the Group and believe we should have a diverse leadership team to support good decision-making. Diversity is integrated across our Code of Business Conduct and Ethics and associated workforce policy, and we promote a culture of diversity, respect, and equal opportunity, where individual success depends only on personal ability and contribution. We strive to treat our employees with fairness, integrity, honesty, courtesy, consideration, respect, and dignity, regardless of gender, race, nationality, age or other forms of diversity. The Board is focused on creating an inclusive culture in line with IOI's Core Values, which we believe will lead to greater diversity to both our Board and throughout the Company.

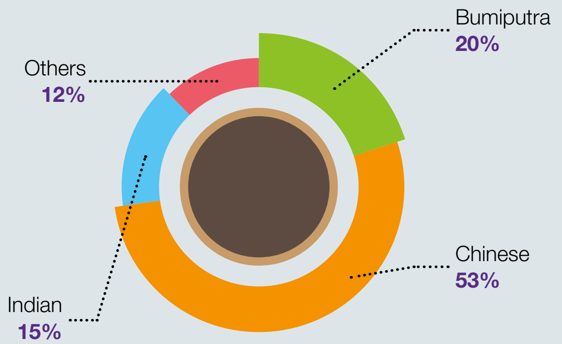
Employees' gender diversity disclosure



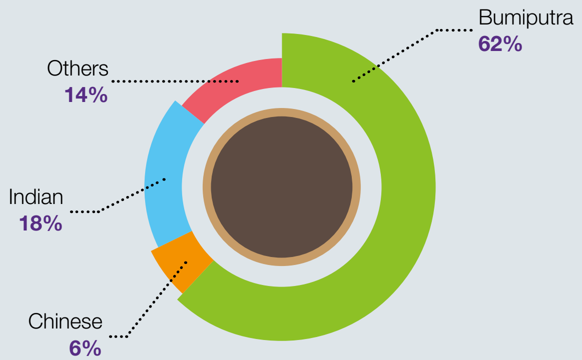
Management position (Manager & above) of IOI



EMPLOYEE ETHNICITY



In management position (Manager & above)



For all employees (except those in management position and directors on the Board)

Board Evaluation

In 2018, the entire performance evaluation process was externally defined and conducted by KPMG Management & Risk Consulting Sdn Bhd in accordance with the requirement to have it externally facilitated every three (3) years under CG Code. The main conclusion from the evaluation process was that the Board, its Committees and individual Directors are performing well. The process in respect of the year under review was concluded at the September 2018 Board meeting, with a number of actions being agreed which the GNRC Chairman will be undertaking in FY2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Committee Membership and Meeting Attendance in FY2018

Name	Board	ARMC	GNRC
Number of meetings held in year			
Executive Directors			
Tan Sri Dato' Lee Shin Cheng ○	5/7 **(71%)**	–	–
Dato' Lee Yeow Chor^	7/7 **(100%)**	–	–
Lee Cheng Leang	7/7 **(100%)**	–	–
Non-Executive Directors			
Tan Sri Peter Chin Fah Kui ○	7/7 **(100%)**	7/7 **(100%)**	5/5 **(100%)**
Tan Sri Dr Rahamat Bivi binti Yusoff*	6/7 **(86%)**	–	–
Datuk Karownakaran @ Karunakaran a/l Ramasamy ○	7/7 **(100%)**	7/7 **(100%)**	4/5 **(80%)**
Cheah Tek Kuang	7/7 **(100%)**	7/7 **(100%)**	4/5 **(80%)**
Lim Tuang Ooi**	6/7 **(86%)**	2/2 **(100%)**	–
Lee Yeow Seng	6/7 **(86%)**	–	–

○ Chairman or Committee Chairman

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

Board and GNRC Activities in Year 2018

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 2018 activities and priorities are set out below:

Principal matters considered by the Board in FY2018

Strategic Matters	Governance, Assurance & Risk Management	Financial, Risk & Management Performance
Divestment of 70% equity in Loders Croklaan Group B.V.'s business	Reports from Board Committees	Quarterly results announcements
Sustainability strategy	Year-end governance report, sustainability report, ARMC report & Internal control and risk management statement	Capital expenditure approvals and performance reviews of historical capex
The Group's overall business strategy	Annual Board evaluation and effectiveness	The Group's budget, forecasts, key performance targets and indicators
Dividend decisions	Board diversity	
Group's information technology ("IT") roadmap/digitisation plan	Risk management and internal control	

Looking ahead to 2019

During the year the Board will:
- Focus on refining our strategic propositions
- Focus on senior management succession planning
- Focus on Group's digitisation implementation
- Sustainability matters

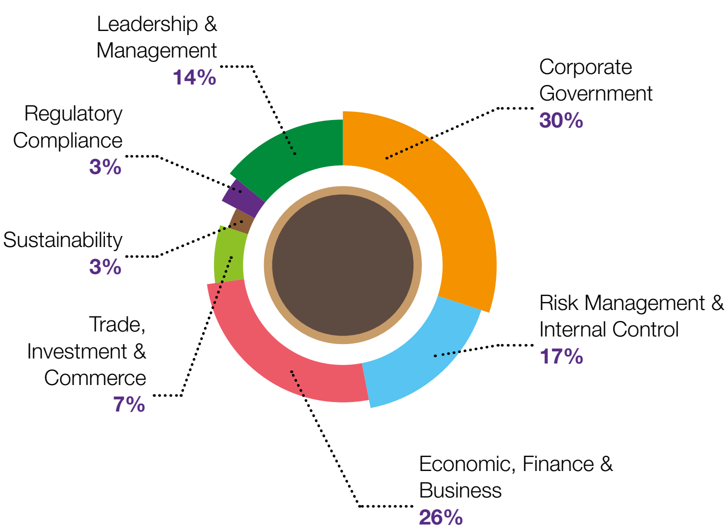
GNRC Activities & Focus in FY2018			
Strategic	**Governance**	**Remuneration**	**Nomination**
Management succession	Review Board evaluation and effectiveness	Review Board and senior management remuneration framework	Review and recommend Directors standing for re-election at the AGM in 2018
Talent retention programme	Review of NED's independence	Review of Directors' remuneration and benefits payable	
	Review ASEAN CG Scorecard performance		

Looking ahead to 2019

During the year, GNRC will:
- Review Board Charter
- Continue monitoring senior management succession planning and continued development of talent pipeline
- Review Board size and its composition and Board gender diversity
- Review of senior management remuneration framework

Board Development

Directors' training needs are met by a combination of internal presentations and updates and external speaker presentations as part of Board and Board Committee meetings; specific training sessions on particular topics, where required; and the opportunity for Directors to attend external courses at the Company's cost, should they wish to do so. The diagram below shows the key learning areas/topics. The details of training attended by our Directors in the FY2018 can be found in our website at www.ioigroup.com/Content/G/G_Governance.



Directors' Remuneration

Each of the Directors receives a base fixed Director's fee and meeting allowance for each Board and general meeting that they attend. The structure of the fees payable to Directors of the Company for the FY2019 is as follows:

Appointment	Per annum (RM)
Board of Directors	
– Base fee	130,000
Audit and Risk Management Committee	
– ARMC Chairman's fee	50,000
– ARMC Member's fee	35,000
Governance, Nominating and Remuneration Committee	
– GNRC Chairman's fee	30,000
– GNRC Member's fee	20,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the FY2018 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	Subsidiaries Total RM'000	Group Total RM'000
Executive Directors									
Tan Sri Dato' Lee Shin Cheng	120	68,341	23	191	68,675	–	–	–	68,675
Dato' Lee Yeow Chor	120	38,741	35	112	39,008	–	–	–	39,008
Lee Cheng Leang	120	–	–	9	129	394	12	406	535
Total	**360**	**107,082**	**58**	**312**	**107,812**	**394**	**12**	**406**	**108,218**
Non-Executive Directors									
Tan Sri Peter Chin Fah Kui	170	–	–	12	182	–	–	–	182
Tan Sri Dr Rahamat Bivi binti Yusoff**	105	–	–	9	114	–	–	–	114
Datuk Karownakaran @ Karunakaran a/l Ramasamy	180	–	–	12	192	–	–	–	192
Lee Yeow Seng	120	–	–	8	128	–	–	–	128
Cheah Tek Kuang	165	–	–	12	177	–	–	–	177
Lim Tuang Ooi	120*	–	–	10	130	–	–	–	130
Total	**860**	**–**	**–**	**63**	**923**	**–**	**–**	**–**	**923**

Notes:

+ *The salary (Chairman: RM5.16 million; CEO: RM3 million) and variable bonus are inclusive of employer's provident fund contributions, where relevant.*
^ *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	–	3
RM150,001 to RM200,000	–	3
RM200,001 to RM500,000	–	–
RM500,001 to RM550,000	1	–
RM550,001 to RM39,000,000	–	–
RM39,000,001 to RM39,050,000	1	–
RM39,050,001 to RM68,650,000	–	–
RM68,650,001 to RM68,700,000	1	–

Effective Audit, Risk Management and Internal Control

During 2018, the Directors continued to review the effectiveness of our system of controls, risk management and high-level internal control processes. These reviews included an assessment of internal controls and, in particular, financial, operational and compliance controls, and risk management and their effectiveness, supported by management assurance of the maintenance of controls reports from the Head of Group Internal Audit, Insurance & Risk Management Manager, as well as the external auditor on matters identified in the course of its statutory audit work.

More information about the above activities and its effectiveness are set out in the ARMC Report and Statement on Internal Control and Risk Management.

Relations with Stakeholders

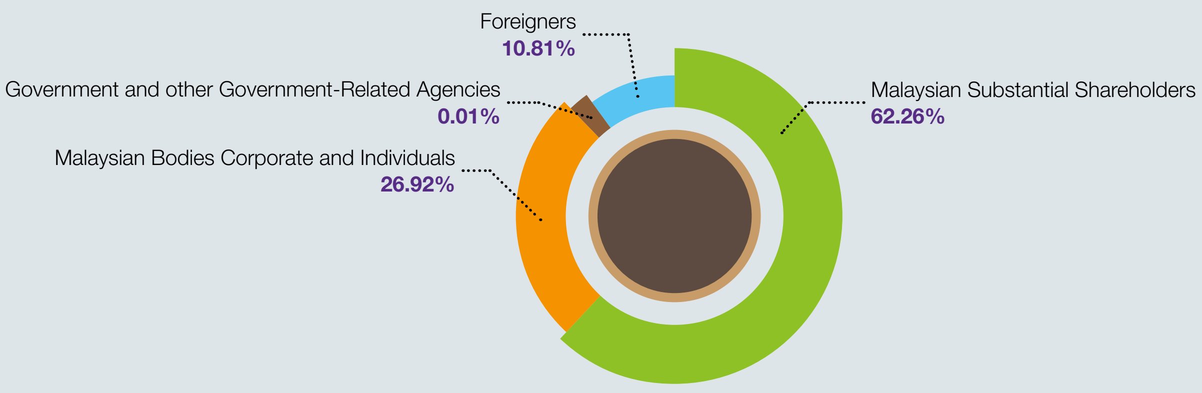
In our quarterly, half-yearly and annual financial reporting to shareholders and other interested parties, we aim to present a balanced and understandable assessment of our strategy, financial position and prospects. We make information about the Group available to shareholders through a range of media, including our corporate website, www.ioigroup.com, which contains a wide range of data of interest to institutional and private investors. We consider our website to be an important means of communication with our shareholders.

Our Investor Relations team acts as the main point of contact for investors throughout the year. We have frequent discussions with current and potential shareholders on a range of issues, including in response to individual ad hoc requests from shareholders and analysts.

Our 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 established grievance mechanism, 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

Composition of Shareholders as at 30 August 2018



CORPORATE GOVERNANCE OVERVIEW STATEMENT

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" or "ARMC") of the Board for the financial year ended 30 June 2018 ("FY2018").

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

ARMC consists of four (4) following members, with a 3/4 majority of them being Independent Directors, who each satisfy the "independence" requirements contained in the Listing Requirements of Bursa Malaysia. The biography of each member of the ARMC 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

Lim Tuang Ooi
(appointed on 20 April 2018)
Member
Non-Independent Non-Executive Director

The Chief Executive Officer, Group Chief Financial Officer, Head of Group Internal Audit, certain senior management and the Company's external auditors are normally invited to attend the ARMC meetings. There is a standing agenda item facilitating the opportunity for the Company's external auditors to meet without management being present. The Company Secretary acts as Secretary to the ARMC.

B SUMMARY OF KEY SCOPE OF RESPONSIBILITIES

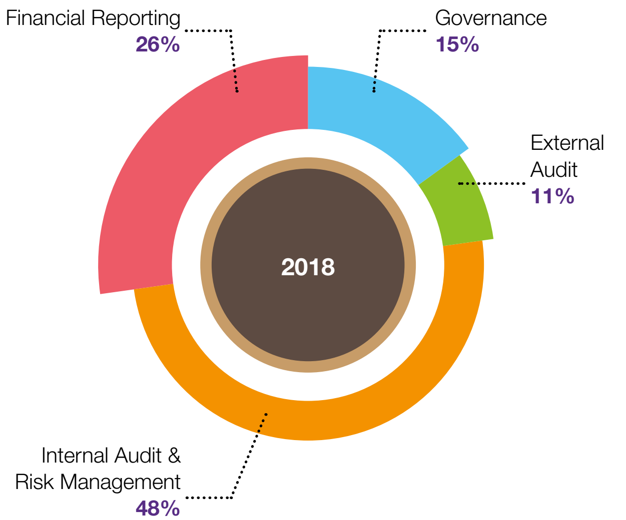
The ARMC operates under a written Terms of Reference containing provisions that address requirements imposed by Bursa Malaysia. The full Terms of Reference of the ARMC is posted on the Corporate Governance section of the Company's website at www.ioigroup.com/Content/G/G_Governance or can be obtained from the Company Secretary.

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

- Oversee the financial reporting process and integrity of the Group's financial statements
- Evaluate the independence of external auditors
- Review and evaluate the operation and effectiveness of the Company's internal audit function
- Oversee the Group's system of disclosure controls and system of internal controls that management and the Board have established
- Assess the Group's practices, processes and effectiveness of systems of risk management
- Review conflict of interest situations and related party transactions of the Group
- Review the appropriateness of accounting policies and significant financial reporting issues or 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 FY2018

The table below provides an overview of how the ARMC spent its time in the FY2018:



D SUMMARY OF WORK OF THE COMMITTEE

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

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

The ARMC has an annual work plan, developed from its Terms of Reference, with standing items that the ARMC considers at each meeting, in addition to any matters that arise during the year. The summary of work and the main matters that the ARMC considered during the FY2018 are described below:

1. Financial statements and reporting

The ARMC maintained its focus during the year on monitoring the integrity of financial reporting and ensuring suitable accounting policies were adopted and applied consistently. The ARMC monitored the financial reporting processes for the Group, which included reviewing reports from, and discussing these with, management and the external auditors, BDO. The ARMC has reviewed the unaudited quarterly financial results and audited financial statements of the Group before recommending them for Board's approval.

The ARMC 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.

The following were the primary areas of financial reporting judgement and disclosure, among others, which were considered by the ARMC in relation to the FY2018 financial statements:-

(a) Impairment assessment of goodwill on consolidation and impairment assessment of other assets

Goodwill and other assets impairment reviews involved a range of judgemental decisions largely related to the assumptions used to assess the value-in-use of the assets being tested. These assumptions typically include long term business and macroeconomic projects, cash flow forecasts and associated discounted rates. The ARMC constructively challenged assumptions used by management and key assumptions used within the respective reviews. Following the discussion, the ARMC is satisfied with the goodwill and other assets impairment review in FY2018.

(b) Divestment of 70% equity interest in Loders Croklaan Group B.V. (now known as Bunge Loders Croklaan Group B.V.) ("Loders") and valuation of put and call options attached to the divestment of Loders.

The divestment of Loders was a significant event during the FY2018 and the gain on disposal was material to the Group. The audit approach by external auditors was to re-compute the total gain on disposal and assess the recognition of the remaining 30% equity interest in Loders as well as the calculation of share of profit in Loders, in accordance with Malaysian Financial Reporting Standards ("MFRS") 128 Investments In Associates. Management has adopted the Binomial option pricing model in deriving the fair values of the put and call options. The ARMC is satisfied that the above transactions have been correctly accounted for, by the management.

(c) Impact assessment of MFRSs 9, 15 and 16

MFRSs 9 and 15 are effective for the Group in FY2019 and while MFRS 16 is mandatorily effective for the Group in FY2020. The Group has assessed the impact of these new standards and has decided to early adopt MFRS 16 in FY2019. Based on the assessment performed, the Group expects no significant impacts on adoption of those MFRSs which are disclosed in Note 3 to the financial statements for the FY2018 and the ARMC is satisfied that the conclusions reached are appropriate.

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 ARMC received input from management and external auditors prior to reaching its conclusion.

In addition to these reporting matters, the ARMC 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 MFRSs. There were no new or altered MFRS in the FY2018 that had a material effect on the Group's financial statements.

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 FY2018. During the meeting, Key Audit Matters ("KAM") of the Group for the FY2018 were presented by the external auditors and the ARMC reviewed and agreed that impairment assessment of the carrying amounts of goodwill, accounting for derivatives financial instruments and valuation of put and call options attached to the divestment of 70% equity stake in Loders would be considered as 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;

CORPORATE GOVERNANCE OVERVIEW STATEMENT

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(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; and

(c) It was material and involved significant judgement and estimates in arriving at the fair values of put and call options as subjective variables need to be used in order to determine the fair value in accordance with MFRS 139.

As part of the year-end reporting process, the ARMC 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. In FY2018, the ARMC also received information on recommendation for improvement in the system of internal controls, which the external auditors have discussed with the respective estate or mill managers and Regional Senior Plantation Controller or General Manager. Other than the divestment of 70% equity interest in Loders, there were no other significant and unusual events or transactions highlighted by the management as well as by external auditors during the course of their audit during the financial year.

2. Going concern assessment

The ARMC 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 ARMC's assessment was based on various analyses from management regarding Group's capital and liquidity position 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 ARMC 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 function 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 ARMC approved the internal audit function's charter, which sets out its role, scope, accountability and authority.

The Head of Group Internal Audit, who is a member of both the Malaysian Institute of Accountants and Institute of Internal Auditors Malaysia, reports functionally to the ARMC, and the ARMC reviewed and approved the annual Internal Audit plan and budget for activities to be undertaken during 2018/2019; this considers 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 ARMC also reviewed the adequacy of the scope, functions, competency and resources of the internal audit function during the year. In June 2018, an independent quality assurance review on internal audit function was conducted by KPMG and their findings and recommendations will be presented to the ARMC in FY2019.

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 the Group's 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.

A total of 110 audit assignments (including eight (8) special audit assignments) were completed during the financial year on various operating units of the Group covering plantation and resource-based manufacturing segments. Audit reports were issued to the ARMC 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 ARMC and it was also agreed that management would expedite resolving the outstanding audit issues.

At each meeting, the ARMC 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 ARMC 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 ARMC 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 ARMC has met two (2) times privately (without management presence) with the Head of Group Internal Audit during the FY2018 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 FY2018 was RM3,987,464 (FY2017: RM3,848,244). The additional increase in cost was mainly attributable to increase in staff costs due to annual salary review and changes in the staff mix.

4. Risk management

The ARMC is responsible for assisting the Board by taking delegated responsibility for the ongoing monitoring of the effectiveness of the Group's systems of risk management and internal control. The Group maintains a risk register, which contains the key risks faced by the Group, including their likelihood, impact and velocity as well as the controls and procedures implemented to mitigate these risks. The ARMC receives regular Group key risk summary reports, prepared by the Risk Management team, tracking residual risk exposures which allows the ARMC to assess the appropriateness of management's action plans to ensure the Board's risk appetite is not exceeded.

In FY2018, the ARMC continued its practice of evaluating key areas of risks such as IT security, competition in downstream operations, reputation and sustainability, quality of FFB, foreign labour, safety, tax and business continuity strategies by receiving direct presentations from management and Group functional heads. The ARMC also received a number of presentations from the Group Chief Financial Officer and tax agent on tax risks, the impact of the recent Sales and Services Tax. Ensuring effective risk management in these core areas, within the Board's risk appetite, will help to protect and enhance shareholders' value.

A bi-annual review of the effectiveness of risk management and internal control processes was carried out by the ARMC. The ARMC focused its review on the Company's risk mitigation and controls and the strategic and organisation-wide risks facing the Group. The ARMC considered the current risk management process during the year and deemed it effective in relation to identifying, assessing and monitoring Group risks. The ARMC strengthened this oversight in FY2018 through direct management presentations. These direct reviews are important to the role of the ARMC as they allow ARMC members to meet the business leaders responsible for these areas of risk and provide a robust challenge to their activities.

Risk management activities take place throughout the organisation to support the ARMC in its corporate governance responsibilities, working with the business to proactively and effectively manage risk. The details relating to risk management is reported separately under Statement on Risk Management and Internal Control on pages 86 to 90.

5. Assessing the effectiveness of external audit process

The ARMC 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 ARMC 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 ARMC meetings to ensure full communication of audit related affairs and they remain fully appraised of all matters considered by the ARMC.

In reviewing the audit plan, the ARMC 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 ARMC also considered the audit scope and materiality threshold.

The ARMC met with BDO at various stages during the audit process, including without management presence, 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 FY2018, the ARMC met privately two (2) times with BDO without management presence.

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

6. Auditors' re-appointment review

During the FY2018, the ARMC assessed the effectiveness of BDO as the external auditors. To assist the assessment, the ARMC 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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

(i) Auditor's effectiveness

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

The ARMC remains satisfied with the effectiveness of BDO based on improvements implemented following the previous year's statutory audit review, the quality of the presentations received, management commentary on the robustness of the challenge provided, their technical insight and their demonstration of a clear understanding of the Group's business and its key risks.

(ii) Independence and objectivity

The ARMC reviews the work undertaken by BDO 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 ARMC also monitors BDO'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. Moving forward, under the revised By-Laws adopted by MIA, the audit engagement partner is required to rotate every seven (7) years with cooling-off period of five (5) years. To ensure objectivity, the rotation of audit partners' responsibilities within BDO has taken place. The current audit engagement partner had been re-appointed in 2017. As part of the independence review process, BDO is requested to formally confirm their independence in writing to the ARMC. BDO reported to the ARMC that it had considered its independence in relation to the audit and confirmed to the ARMC that it complies with professional requirements and that its objectivity is not compromised.

The ARMC 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.

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

Our Suitability and Independence External Auditors Policy includes a clearly defined pre-approval process for non-audit services to help protect external auditors' objectivity and independence. The provision of non-audit services which are not prohibited and approved in line with our Policy to ensure that the total fees for non-audit services will not exceed the defined thresholds.

Non-audit work undertaken during the period

Fees paid to BDO for audit related and non-audit services during the FY2018 are 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 ARMC is satisfied that the quantum of the non-audit fees relative to the audit fees (being approximately 41% of the total audit fees on a group basis payable to BDO and affiliates) and the ARMC concluded that the auditors' independence from the Group was not compromised as the non-audit fees were mainly derived from the tax compliance and one-off advisory services.

(iv) Audit fees

The ARMC is satisfied that the level of audit fees (on a group basis) payable in respect of the audit services provided by BDO Malaysia (being RM1,369,210 for the FY2018) [FY2017: RM1,016,265] was appropriate and that an effective audit could be conducted for such a fee. The existing authority for the ARMC 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 2017.

Recommendation to re-appointment

Following its consideration, the ARMC 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.

7. Other matters considered by the Committee

The ARMC 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 CG Code 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 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 progress of RSPO compliance and field verification.

E ATTENDANCE

Number of Meetings and Details of Attendance

Seven (7) meetings were held during the FY2018. The attendance record of each member was as follows:

Members	Total Number of Meetings	Number of Meetings Attended
Datuk Karownakaran @ Karunakaran a/l Ramasamy	7	7
Tan Sri Peter Chin Fah Kui	7	7
Cheah Tek Kuang	7	7
Lim Tuang Ooi*	2	2

* Appointed on 20 April 2018

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
Lim Tuang Ooi	3	3

F ANNUAL REVIEW AND PERFORMANCE EVALUATION

The last review of the Terms of Reference of the ARMC was carried out in FY2016. As required by its Terms of Reference, the ARMC conducted an annual performance evaluation in an effort to continuously improve its processes.

The ARMC's responsibility is to monitor and review the processes performed by management and external auditors. It is not the ARMC's duty or responsibility to conduct auditing or accounting reviews or procedures. The ARMC members are not employees of the Company. Therefore, the ARMC 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 2019

In addition to our routine business, the ARMC has five (5) focus areas for 2019:

- RSPO compliance update
- Group IT roadmap/digitisation implementation
- To receive independent external assessment findings and recommendation on the Group's internal audit function
- To conduct and review risk management framework and ensure its compliance and adequacy
- To build risk resilience by further strengthening controls across certain core areas

CORPORATE GOVERNANCE OVERVIEW STATEMENT

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This statement is prepared in accordance with the "Statement of Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" endorsed by Bursa Malaysia. It outlines the key elements needed in maintaining a sound system of risk management and internal control, in line with the Best Practices relating to internal control as stipulated in the CG Code.

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 Governance, 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

Corporate Risk Management ("CRM") Department is tasked to assist the Board and ARMC in discharging their risk management responsibilities. CRM is responsible for assisting in the 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 facilitating the bi-annual risk review.

Group Internal Audit Department

The Group Internal Audit Department ("GIAD") is an integral part of the Group's internal control system, and reports directly to the ARMC. The activities of the GIAD are guided by the Internal Audit Charter and Annual Audit Plan that are established on a risk-based approach, reviewed and approved by the ARMC. GIAD's primary role is to provide 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.

GIAD's audit practices are guided by the International Professional Practices Framework ("IPPF") published by the Institute of Internal Auditors ("IIA") Global.

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 strategic 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.

ii) Risk Management as a collective responsibility

By engaging every Business/Operating Unit level 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.

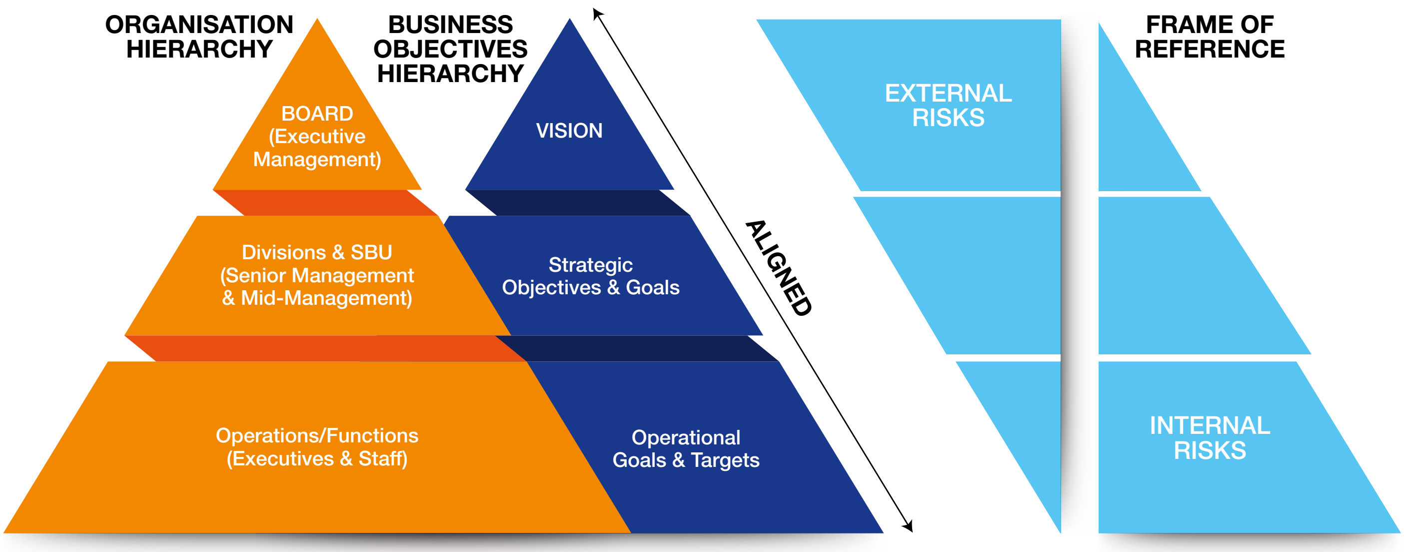
The Board through ARMC conducts periodic reviews on the adequacy and integrity of the Group's ERM framework and policies, particularly in relation to the mechanisms for risk assessment (principal risks identification, evaluation and treatment), communication and monitoring and review.

The Group's activities are exposed to a variety of risks, including operating, financial, compliance and sustainability 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 performances 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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 are mainly decentralised at the business unit level and guided by approved standard operating procedures. Operational risks that cut across the organisation include 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 174 to 205.

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 the Roundtable on Sustainable Palm Oil ("RSPO") and International Sustainability and Carbon Certification ("ISCC") certifications, 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 units 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

Sustainability is becoming a significant aspect of operations in both the plantation and resource-based manufacturing segments. One of the challenges is the increased demand on traceability of palm oil and palm products, specifically related to transparency of supply at different stages of the supply chain. In addition, non-governmental organisations ("NGOs") have also intensified their scrutiny on both upstream and downstream segments, in relation to issues such as deforestation, peatland protection, communities' rights and labour practices. IOI has a Sustainable Palm Oil Policy ("SPOP") that serves as the main guideline to address these concerns. The Group has also strengthened its commitments on human rights and workplace, as stated in the SPOP, by introducing industry-leading policies on labour after extensive engagement with external and internal stakeholders. The policies include:

- Equal Opportunity Employment and Freedom of Association Policy,
- Minimum Wages and Leave Pay Policies in Malaysia, and
- Foreign Workers Recruitment Guideline and Procedures in Malaysia.

In terms of governance, IOI has established the Group Sustainability Steering Committee ("GSSC") to oversee the management policies, processes and strategies designed to manage social, environmental and reputational risks. The GSSC comprises the CEO, Group CFO, Heads of Operating Divisions, Group Head of Sustainability, and Senior Management from Group Support Functions.

IOI has also developed a Grievance Mechanism which provides a formal channel for full disclosure of grievance raised by any party. The Group believes in open dialogue, partnership, transparency and actively engages with stakeholders, particularly the communities living in the vicinity of the Group's operations.

The Group has also introduced a public dashboard in 2017, called the "Palm Oil Dashboard" on its website. The Palm Oil Dashboard serves as a platform to provide information on IOI's palm oil operations such as traceability numbers, volumes sourced, volumes production and uptake, supplier engagement activities and latest news.

As a member of the High Carbon Stock Approach ("HCSA") Steering Group, IOI subscribes to No Deforestation, No Peat and No Exploitation ("NDPE"). The Group has also updated its Zero Burning Policy to further strengthen its commitments towards zero burning practices across its estates, as part of its efforts to proactively protect the environment and combat haze problem.

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 Channel

The Group's Whistleblowing Policy established in 2013 and was further revised in 2018 provides an avenue for employees and stakeholders dealing with the Group with proper procedure to disclose or raise genuine concerns on possible improprieties, improper conducts or other malpractices within the Group. It gives an appropriate communication and feedback channel which facilitates whistleblowing in a transparent and confidential manner.

Internal Control

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

a) 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.

b) The Group has in place a well-established and documented business process which is aligned with the strategic business objectives and goals.

c) 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.

d) The Group has in place an Enterprise Resource Planning ("ERP") System on its oleochemical business and/or Management Information System that captures, compiles, analyses and reports relevant data, which enables management to make business decisions in an accurate and timely manner.

e) Management and financial reports are generated monthly to facilitate the Group's management in performing financial and operating reviews of the various operating units.

f) Business strategies and operating and capital expenditure budgets are prepared by business and operating units annually, and are approved by the Board. Actual performance and significant variances against budget are monitored on an ongoing basis.

g) 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.

h) Regular management and operation meetings are conducted by senior management which comprises the CEO and divisional heads.

i) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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:

a) 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.

b) Evaluated the adequacy of key processes, systems and internal controls in relation to the rated principal risks.

c) Carried out gap analysis and established strategic responses, actionable programmes and tasks to manage the aforementioned and/or eliminate performance gaps.

d) Ensured internal audit programmes covered identified principal risks. Audit findings throughout the financial period served as key feedback to validate the effectiveness of risk management activities and embedded internal controls.

e) Reviewed implementation progress of actionable programmes, and evaluated post-implementation effectiveness.

f) 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 ARMC and the Board reviewed bi-annually the principal risks of all business units and ensure that appropriate mitigation measures are in place.

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 2018. Their review was conducted in accordance with Assurance Practice Guide 3 ("AAPG 3") Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants ("MIA"). AAPG 3 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 management and internal control system. AAPG 3 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 procedures performed, the external auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

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 Group Chief Financial Officer 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 does not cover associates and jointly controlled entities where the internal control systems of these companies are managed by the respective management teams. This statement has been reviewed and approved by the Board of Directors on 12 September 2018.

STATEMENT OF DIRECTORS' INTERESTS

IN THE COMPANY AND ITS RELATED CORPORATIONS AS AT 30 AUGUST 2018 (BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS)

Name of Directors	Direct	%	Indirect	%
THE COMPANY				
No. of ordinary shares				
Tan Sri Dato' Lee Shin Cheng	122,601,600	1.95	3,013,111,880[1]	47.95
Dato' Lee Yeow Chor	9,280,400	0.15	2,995,773,380[2]	47.67
Lee Yeow Seng	4,180,400	0.07	2,995,653,380[3]	47.67
Lee Cheng Leang	400,000	0.01	–	–
Tan Sri Peter Chin Fah Kui	–	–	20,000[4]	*
Datuk Karownakaran @ Karunakaran a/l Ramasamy	–	–	–	–
Tan Sri Dr Rahamat Bivi binti Yusoff	–	–	–	–
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 shares 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 2018 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 Executive Directors of IOI Corporation Berhad ("IOIC") Group.

As at 30 June 2018, the total outstanding of share options of the Company is 16,073,500.

The movements of the share options in the Company granted under the ESOS during FY2018 are set out in the table below:

	Number of Share Options as at 30 June 2018	
Description	Total	Executive Chairman, CEO and Executive Director
Outstanding as at 1 July 2017	18,235,000	3,980,000
Granted and accepted	–	–
Exercised	(539,000)	(280,000)
Lapsed^	(1,622,500)	–
Outstanding as at 30 June 2018	16,073,500	3,700,000

^ Due to resignation/retirement of employees.

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 2018 (%)	Since Commencement of the ESOS up to 30 June 2018* (%)
Aggregate maximum allocation	–	0.16
Actual granted and accepted	–	0.12

* Based on the total number of shares with voting rights of 6,284,398,995 as at 30 June 2018.

The Company did not grant any options over the ordinary shares 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 2018 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)	15.3
GLM Emerald Industrial Park (Jasin) Sdn Bhd (formerly known as Continental Estates Sdn Bhd) ("**GLM**")(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)	16.8

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
GLM, 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

[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*

OTHER INFORMATION

[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 CEO 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 CEO 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 CEO 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 GLM and DPB*

[14] *LYS is a Director of IOIC and the CEO 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*

UTILISATION OF PROCEEDS

The total gross proceeds raised from the disposal of 70% equity interest of Loders Croklaan Group B.V. (now known as Bunge Loders Croklaan Group B.V.) is RM3,784.7 million. The status of the utilisation of proceeds as at 30 August 2018 is as follows:-

				Deviation	
Purpose	**Proposed Utilisation (RM Million)**	**Actual Utilisation (RM Million)**	**Intended Timeframe for Utilisation**	**Amount**	**%**
Future investment	946.2	–	Within 24 months	–	–
Dividend to shareholders	756.9	722.7	Within 12 months	–	–
Repayment of borrowings	1,892.3	1,877.2	Within 24 months	–	–
General working capital	179.8	104.5	Within 24 months	–	–
Transaction expenses	9.5	9.5	Immediate	–	–
Total	**3,784.7**	**2,713.9**		–	–

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 2018.

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 other than the disposal of 70% equity interest held in Loders Croklaan Group B.V. (now known as Bunge Loders Croklaan Group B.V.) by the Company.

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	1,570.7	1,104.0
Taxation	(334.0)	(12.5)
Profit for the financial year from continuing operations	1,236.7	1,091.5
Discontinued operations		
Profit for the financial year from discontinued operations, net of tax	1,831.6	2,154.3
Profit for the financial year	3,068.3	3,245.8
Attributable to:		
Owners of the parent	3,060.5	3,245.8
Non-controlling interests	7.8	–
	3,068.3	3,245.8

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 2017	
Second interim single tier dividend of 5.0 sen per ordinary share, paid on 15 September 2017	314.2
In respect of the financial year ended 30 June 2018	
First interim single tier dividend of 4.5 sen per ordinary share, paid on 30 March 2018	282.8
In respect of the financial year ended 30 June 2018	
Special single tier dividend of 11.5 sen per ordinary share, paid on 30 March 2018	722.7
	1,319.7

The Directors declared a second interim single tier dividend of 4.5 sen per ordinary share, amounting to RM282.8 million in respect of the financial year ended 30 June 2018. The dividend is payable on 21 September 2018 to shareholders whose names appeared in the Record of Depositors and Register of Members of the Company at the close of business on 6 September 2018.

No final dividend has been recommended by the Directors for the financial year ended 30 June 2018.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 539,000 ordinary shares for cash at RM4.42 per share arising from the exercise of options granted under the Company's Executive Share Option Scheme.

The newly issued ordinary shares rank pari passu in all respects with the existing issued ordinary shares of the Company. There were no other issues of shares during the financial year.

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

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at an extraordinary general meeting held on 18 November 1999, approved the Company's plan to repurchase up to 10% of the issued share capital of the Company ("Share Buy Back"). The authority granted by the shareholders was subsequently renewed during subsequent Annual General Meetings ("AGM") of the Company, including the last AGM held on 30 October 2017.

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.

The Company did not repurchase any of its issued ordinary shares from the open market during the financial year.

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

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 define 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 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")], holds twenty percent (20%) or more of the issued 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

Following the implementation of the Companies Act 2016 in Malaysia, the exercise price shall be based on 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.

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.

EXECUTIVE SHARE OPTION SCHEME (continued)

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 2017**	**Exercised**	**Lapsed***	**As at 30 June 2018**
4.42	12 October 2016	18,235,000	(539,000)	(1,622,500)	16,073,500
		18,235,000	(539,000)	(1,622,500)	16,073,500

** Due to resignation/retirement of employees as at 30 June 2018.*

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

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

Tan Sri Dato' Lee Shin Cheng
Dato' Lee Yeow Chor
Lee Cheng Leang
Lee Yeow Seng
Tan Sri Peter Chin Fah Kui
Tan Sri Dr Rahamat Bivi binti Yusoff
Datuk Karownakaran @ Karunakaran a/l Ramasamy
Cheah Tek Kuang
Lim Tuang Ooi

In accordance with Article 101 of the Company's Constitution, Dato' Lee Yeow Chor, Datuk Karownakaran @ Karunakaran a/l Ramasamy and Cheah Tek Kuang retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary 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 2017	Acquired	Disposed	As at 30 June 2018
Direct interests				
The Company				
Tan Sri Dato' Lee Shin Cheng	67,086,100	55,515,500	–	122,601,600
Dato' Lee Yeow Chor	9,000,400	280,000	–	9,280,400
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	2,980,486,880	89,725,000	(57,100,000)	3,013,111,880
Dato' Lee Yeow Chor	2,963,403,380	89,470,000	(57,100,000)	2,995,773,380
Lee Yeow Seng	2,963,308,380	89,445,000	(57,100,000)	2,995,653,380
Tan Sri Peter Chin Fah Kui	20,000	–	–	20,000
Cheah Tek Kuang	12,000	–	–	12,000

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:

		No. of options over ordinary shares		
	Option Price *RM*	As at 1 July 2017	Exercised	As at 30 June 2018
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	(280,000)	1,270,000
Lee Cheng Leang	4.42	480,000	–	480,000
Indirect interests				
Tan Sri Dato' Lee Shin Cheng	4.42	1,775,000	(280,000)	1,495,000

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, Tan Sri Dr Rahamat Bivi binti Yusoff, Datuk Karownakaran @ Karunakaran a/l Ramasamy and Lim Tuang Ooi did not have any interest in ordinary 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 have 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

The 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, OFFICERS AND AUDITORS

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 2018 was RM42,000.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

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.

DIRECTORS' REPORT

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 other than the total gain arising from the divestment of Loders Croklaan Group B.V. of RM1,679.7 million and RM2,154.3 million respectively as disclosed in Note 12.1 to the financial statements; 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
Datu Sajeli bin Kipli
Datuk (Datu) Basrun bin Datu Mansor^
Datuk Saddi bin Abdu Rahman*
Datuk Seri Panglima Haji Abdul Rahim Ismail
Eng Hong Ai^
Goh Pet Choo*
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 Tuan Meng*
Lee Yoke Hean
Lim Eik Hoy^
Lim Jit Uei (Lin Riwei)
Manuel Antonio Ismael Laborde Barriga#
Michael Paul Molenkamp#

LIST OF DIRECTORS OF SUBSIDIARIES (continued)

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 (continued):

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
Vincent Martijn Geerts#
William Martin Troy#
Wong Yin Ling

^ *Resigned during the financial year.*
* *Appointed during the financial year.*
# *Ceased to be with IOI Group with effect from 1 March 2018.*

DIFFERENT FINANCIAL YEAR END OF A SUBSIDIARY

Due to local requirements, Tianjin Palmco Oil And Fats Co. Ltd ("TPOF"), an indirect foreign subsidiary of the Company is adopting 31 December as its statutory financial year end, which does not coincide with that of the Company. The Directors of the Company and IOI Oleochemical Industries Berhad have been granted approval by Companies Commission of Malaysia under Section 247(3) of the Companies Act 2016 in Malaysia for TPOF to have a different financial year end from that of the Company for the financial year ended 30 June 2018.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 1 March 2018, the Company disposed of 70% of its equity interest held in Loders Croklaan Group B.V. ("Loders"), a wholly-owned subsidiary of the Company for a preliminary disposal consideration of USD595.0 million plus EUR303.4 million ("Disposal"). The preliminary disposal consideration was subject to adjustments, which would be determined at a later date in accordance with the terms of the sale and purchase agreement.

Prior to the Disposal, the Company has completed an internal restructuring exercise, which involved Loders acquiring all of the Company's equity interest in IOI Lipid Enzymtec Sdn Bhd and IOI Edible Oils (HK) Limited.

Following the completion of the Disposal, the Company continues to hold a 30% equity interest in Loders, and will play an important role in contributing to the future growth of Loders, both through representation on the managing board of Loders and as a major palm oil supplier.

DIRECTORS' REPORT

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
Lim Tuang Ooi (appointed to the Committee on 20 April 2018)

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.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 June 2018 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
12 September 2018

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
In RM million	Note	2018	2017	2018	2017
Continuing operations					
Revenue	5	**7,417.6**	7,249.3	**1,083.2**	959.2
Cost of sales		**(5,674.1)**	(5,332.8)	**(5.7)**	(5.2)
Gross profit		**1,743.5**	1,916.5	**1,077.5**	954.0
Other operating income	6	**791.7**	709.6	**67.9**	83.1
Marketing and selling expenses		**(177.9)**	(179.0)	**–**	–
Administration expenses		**(320.7)**	(276.9)	**(57.4)**	(43.2)
Other operating expenses	7	**(794.3)**	(906.1)	**(83.1)**	(93.7)
Operating profit		**1,242.3**	1,264.1	**1,004.9**	900.2
Share of results of associates		**140.9**	140.7	**–**	–
Share of results of joint ventures		**(2.6)**	(3.4)	**–**	–
Profit before interest and taxation		**1,380.6**	1,401.4	**1,004.9**	900.2
Interest income	8	**71.9**	60.9	**56.9**	46.6
Finance costs	9	**(200.1)**	(205.5)	**(139.9)**	(138.6)
Net foreign currency translation gain/(loss) on foreign currency denominated borrowings		**297.7**	(298.8)	**160.0**	(163.8)
Net foreign currency translation gain on foreign currency denominated deposits		**20.6**	25.0	**22.1**	25.3
Profit before taxation	10	**1,570.7**	983.0	**1,104.0**	669.7
Taxation	11	**(334.0)**	(292.7)	**(12.5)**	(0.8)
Profit for the financial year from continuing operations		**1,236.7**	690.3	**1,091.5**	668.9
Discontinued operations	12				
Profit from discontinued operations, net of tax		**151.9**	65.4	**–**	–
Gain on disposal of discontinued operations		**1,154.8**	10.4	**1,971.5**	–
Gain on re-measurement of the remaining equity interest held as associate		**342.1**	–	**–**	–
Recognition of fair value of put and call options		**182.8**	–	**182.8**	–
Profit for the financial year from discontinued operations, net of tax		**1,831.6**	75.8	**2,154.3**	–
Profit for the financial year		**3,068.3**	766.1	**3,245.8**	668.9
Attributable to owners of the parent					
From continuing operations		**1,228.9**	667.4	**1,091.5**	668.9
From discontinued operations		**1,831.6**	75.8	**2,154.3**	–
		3,060.5	743.2	**3,245.8**	668.9
Attributable to non-controlling interests		**7.8**	22.9	**–**	–
		3,068.3	766.1	**3,245.8**	668.9

The notes on pages 116 to 217 form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
In sen	Note	2018	2017	2018	2017
Earnings per ordinary share attributable to owners of the parent	13				
Basic earnings per share					
From continuing operations		**19.56**	10.62		
From discontinued operations		**29.14**	1.20		
		48.70	11.82		
Diluted earnings per share					
From continuing operations		**19.56**	10.62		
From discontinued operations		**29.14**	1.20		
		48.70	11.82		
Dividend per ordinary share	14				
First interim single tier dividend		**4.5**	4.5	**4.5**	4.5
Special single tier dividend		**11.5**	–	**11.5**	–
Second interim single tier dividend		**4.5**	5.0	**4.5**	5.0
Total		**20.5**	9.5	**20.5**	9.5

The notes on pages 116 to 217 form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Group		Company	
In RM million	**2018**	**2017**	**2018**	**2017**
Profit for the financial year	**3,068.3**	766.1	**3,245.8**	668.9
Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss				
Share of other comprehensive loss of associates	**(4.8)**	(6.0)	**–**	–
Share of reserves of associates arising from changes in accounting estimates	**9.9**	41.8	**–**	–
Re-measurements of the defined benefit obligations	**(1.7)**	4.4	**–**	–
	3.4	40.2	**–**	–
Other comprehensive (loss)/income that will be reclassified subsequently to profit or loss when specific conditions are met				
Exchange differences on translation of foreign operations	**(145.4)**	100.8	**–**	–
Other comprehensive income reclassified subsequently to profit or loss arising from discontinued operations	**112.4**	–	**–**	–
Share of other comprehensive (loss)/income of associates	**(1.7)**	3.9	**–**	–
Hedge of net investments in foreign operations	**(4.3)**	(4.9)	**–**	–
	(39.0)	99.8	**–**	–
Other comprehensive (loss)/income for the financial year, net of tax	**(35.6)**	140.0	**–**	–
Total comprehensive income for the financial year	**3,032.7**	906.1	**3,245.8**	668.9
Total comprehensive income attributable to:				
Owners of the parent	**3,016.2**	886.1	**3,245.8**	668.9
Non-controlling interests	**16.5**	20.0	**–**	–
	3,032.7	906.1	**3,245.8**	668.9

The notes on pages 116 to 217 form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

In RM million	Note	Group 2018	Group 2017	Company 2018	Company 2017
ASSETS					
Non-current assets					
Property, plant and equipment	15	**8,411.2**	10,086.9	**86.5**	88.2
Intangible assets	16	**394.9**	522.1	**–**	–
Investments in subsidiaries	17	**–**	–	**6,838.1**	8,025.9
Amounts due from subsidiaries	17	**–**	–	**677.6**	496.3
Investments in associates	18	**2,491.1**	1,121.1	**788.3**	20.4
Derivative assets	19	**155.4**	140.6	**13.1**	0.7
Deferred tax assets	20	**14.7**	52.0	**–**	–
Other non-current assets	21	**51.6**	67.0	**32.0**	49.9
		11,518.9	11,989.7	**8,435.6**	8,681.4
Current assets					
Inventories	22	**949.1**	2,707.7	**–**	–
Trade and other receivables	23	**816.2**	1,560.6	**50.3**	20.6
Amounts due from subsidiaries	17	**–**	–	**34.0**	418.0
Derivative assets	19	**398.9**	56.4	**350.4**	–
Other investments	24	**86.1**	103.6	**4.4**	4.0
Amounts due from associates	25	**147.4**	1.4	**4.6**	–
Other current assets	26	**61.4**	83.2	**1.1**	7.6
Short term funds	27	**1,087.9**	680.4	**–**	–
Deposits with financial institutions	28	**1,276.0**	156.6	**971.4**	–
Cash and bank balances		**400.7**	685.1	**88.0**	42.6
		5,223.7	6,035.0	**1,504.2**	492.8
TOTAL ASSETS		**16,742.6**	18,024.7	**9,939.8**	9,174.2

The notes on pages 116 to 217 form an integral part of the financial statements.

In RM million	Note	Group 2018	Group 2017	Company 2018	Company 2017
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	29	**786.7**	783.8	**786.7**	783.8
Reserves	30	**(16.9)**	38.4	**16.4**	19.1
Retained earnings		**8,386.5**	6,635.2	**6,183.6**	4,255.3
		9,156.3	7,457.4	**6,986.7**	5,058.2
Non-controlling interests		**259.4**	261.3	**–**	–
Total equity		**9,415.7**	7,718.7	**6,986.7**	5,058.2
LIABILITIES					
Non-current liabilities					
Borrowings	31	**4,284.5**	5,267.7	**444.3**	944.0
Amounts due to subsidiaries	17	**–**	–	**1,239.3**	785.1
Derivative liabilities	19	**53.6**	23.2	**53.6**	23.2
Deferred tax liabilities	20	**1,114.7**	1,309.9	**3.4**	3.7
Other non-current liabilities	32	**55.7**	65.6	**–**	–
		5,508.5	6,666.4	**1,740.6**	1,756.0
Current liabilities					
Borrowings	31	**894.8**	2,076.1	**643.1**	1,369.6
Trade and other payables	33	**650.1**	1,388.8	**137.1**	34.0
Amounts due to subsidiaries	17	**–**	–	**257.9**	954.6
Derivative liabilities	19	**213.3**	91.8	**174.4**	1.8
Other current liabilities	34	**60.2**	82.9	**–**	–
		1,818.4	3,639.6	**1,212.5**	2,360.0
Total liabilities		**7,326.9**	10,306.0	**2,953.1**	4,116.0
TOTAL EQUITY AND LIABILITIES		**16,742.6**	18,024.7	**9,939.8**	9,174.2

The notes on pages 116 to 217 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Non-distributable						Distributable			
In RM million	Share capital	Share premium	Capital reserves	Other reserves	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
Re-measurements 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)	–	–	–	–	–	–	–	–
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

The notes on pages 116 to 217 form an integral part of the financial statements.

In RM million	Share capital	Capital reserves	Other reserves	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
	Non-distributable					Distributable			
Group									
As at 1 July 2017	**783.8**	**26.8**	**(7.9)**	**(5.6)**	**25.1**	**6,635.2**	**7,457.4**	**261.3**	**7,718.7**
Profit for the financial year	–	–	–	–	–	3,060.5	3,060.5	7.8	3,068.3
Re-measurements of the defined benefit obligations	–	–	–	–	–	(1.7)	(1.7)	–	(1.7)
Exchange differences on translation of foreign operations	–	–	–	–	(154.1)	–	(154.1)	8.7	(145.4)
Other comprehensive income reclassified subsequently to profit or loss arising from discontinued operations	–	–	–	5.7	106.7	–	112.4	–	112.4
Share of other comprehensive (loss)/income of associates	–	–	(4.9)	–	(1.7)	0.1	(6.5)	–	(6.5)
Share of reserves of associates arising from changes in accounting estimates	–	–	–	–	–	9.9	9.9	–	9.9
Hedge of net investments in foreign operations	–	–	–	(4.3)	–	–	(4.3)	–	(4.3)
Total comprehensive (loss)/income	–	–	(4.9)	1.4	(49.1)	3,068.8	3,016.2	16.5	3,032.7
Transactions with owners									
Dividends paid in respect of current financial year (Note 14)	–	–	–	–	–	(282.8)	(282.8)	–	(282.8)
Special dividends paid in respect of current financial year (Note 14)	–	–	–	–	–	(722.7)	(722.7)	–	(722.7)
Dividends paid in respect of previous financial year (Note 14)	–	–	–	–	–	(314.2)	(314.2)	–	(314.2)
Issue of shares arising from exercise of share options (Note 29)	2.9	(0.5)	–	–	–	–	2.4	–	2.4
ESOS lapsed	–	(2.2)	–	–	–	2.2	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(18.4)	(18.4)
As at 30 June 2018	**786.7**	**24.1**	**(12.8)**	**(4.2)**	**(24.0)**	**8,386.5**	**9,156.3**	**259.4**	**9,415.7**

The notes on pages 116 to 217 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Non-distributable			Distributable	
In RM million	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total equity
Company						
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

		Non-distributable	Distributable	
In RM million	Share capital	Capital reserves	Retained earnings	Total equity
Company				
As at 1 July 2017	**783.8**	**19.1**	**4,255.3**	**5,058.2**
Profit for the financial year	**–**	**–**	**3,245.8**	**3,245.8**
Total comprehensive income	**–**	**–**	**3,245.8**	**3,245.8**
Transactions with owners				
Dividends paid in respect of current financial year (Note 14)	**–**	**–**	**(282.8)**	**(282.8)**
Special dividends paid in respect of current financial year (Note 14)	**–**	**–**	**(722.7)**	**(722.7)**
Dividends paid in respect of previous financial year (Note 14)	**–**	**–**	**(314.2)**	**(314.2)**
Issue of shares arising from exercise of share options (Note 29)	**2.9**	**(0.5)**	**–**	**2.4**
ESOS lapsed	**–**	**(2.2)**	**2.2**	**–**
As at 30 June 2018	**786.7**	**16.4**	**6,183.6**	**6,986.7**

The notes on pages 116 to 217 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

In RM million	Note	Group 2018	Group 2017	Company 2018	Company 2017
Cash Flows From Operating Activities					
Profit before taxation					
From continuing operations		**1,570.7**	983.0	**1,104.0**	669.7
From discontinued operations		**1,859.2**	115.0	**2,154.3**	–
		3,429.9	1,098.0	**3,258.3**	669.7
Adjustments for:					
Depreciation of property, plant and equipment	15	**407.3**	474.7	**1.8**	1.7
Finance costs		**205.8**	213.3	**139.9**	138.6
Net loss/(gain) arising from changes in fair value of biological assets	26.1	**23.9**	(11.6)	**0.1**	–
Net fair value loss/(gain) on other investments		**17.8**	0.4	**(0.4)**	(0.4)
Net inventories written down/(written back) to net realisable values		**17.6**	(0.5)	**–**	–
Impairment losses on property, plant and equipment	15	**15.8**	–	**–**	–
Net unrealised foreign currency translation loss/(gain)		**15.7**	(19.8)	**(20.5)**	(20.9)
Property, plant and equipment written off		**12.1**	15.5	**–**	–
Net fair value loss on put and call options	7	**6.8**	–	**6.8**	–
Retirement benefits expenses	32.1	**4.2**	5.4	**–**	–
Share of results of joint ventures		**2.6**	3.4	**–**	–
Impairment losses on receivables		**2.3**	0.4	**–**	–
Impairment losses on goodwill	16.1	**2.0**	–	**–**	–
Amortisation of intangible assets		**1.1**	4.6	**–**	–
Amortisation of prepaid lease payments		**0.1**	0.4	**–**	–
Impairment losses on receivables written back	23.1	**(0.2)**	(2.9)	**–**	–
Net gain on disposal of property, plant and equipment		**(2.6)**	(3.2)	**–**	–
Dividend income from other investments		**(3.1)**	(3.2)	**(0.1)**	(0.1)
Gain arising from acquisition of interest in an associate		**(4.3)**	(1.6)	**–**	–
Net fair value (gain)/loss on derivative financial instruments		**(26.2)**	70.0	**–**	–
Net unrealised foreign currency translation gain on foreign currency denominated deposits		**(39.9)**	(7.9)	**(41.4)**	(7.6)
Interest income		**(61.4)**	(39.1)	**(56.9)**	(46.6)
Share of results of associates		**(140.9)**	(140.7)	**–**	–
Recognition of fair value of put and call options	12.1	**(182.8)**	–	**(182.8)**	–
Net foreign currency translation (gain)/loss on foreign currency denominated borrowings		**(297.7)**	298.8	**(160.0)**	163.8
Gain on re-measurement of the remaining equity interest held as associate	12.1	**(342.1)**	–	**–**	–
Gain on disposal of 70% equity interest in Loders	12.1	**(1,154.8)**	–	**(1,918.9)**	–
Share option expenses	29.1	**–**	19.1	**–**	3.6
Net cash generated from operating activities carried forward		**1,909.0**	1,973.5	**1,025.9**	901.8

The notes on pages 116 to 217 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
In RM million	Note	2018	2017	2018	2017
Cash Flows From Operating Activities (continued)					
Net cash generated from operating activities brought forward		1,909.0	1,973.5	1,025.9	901.8
Loss on liquidation of subsidiaries		–	4.4	–	10.1
Gain on disposal of assets held for sales		–	(10.8)	–	–
Impairment losses on investment in a joint venture	21.3	–	–	18.0	–
Impairment losses on advances to subsidiaries		–	–	4.2	–
Gain arising from the internal restructuring	12.1	–	–	(52.6)	
Dividend income from subsidiaries		–	–	(1,014.2)	(918.1)
Reversal of impairment loss on investment in subsidiary		–	–	–	(4.3)
Operating profit/(loss) before working capital changes		1,909.0	1,967.1	(18.7)	(10.5)
Decrease/(Increase) in other receivables, deposits and prepayments		284.7	(61.5)	(4.7)	(0.3)
Decrease/(Increase) in inventories		66.1	(298.7)	–	–
Increase in other payables and accruals		24.1	1.7	14.1	1.1
Increase in trade receivables		(77.7)	(199.7)	–	–
(Decrease)/Increase in trade payables		(418.9)	206.6	–	–
Cash generated from/(used in) operations		1,787.3	1,615.5	(9.3)	(9.7)
Tax refunded		7.1	39.8	2.9	34.6
Retirement benefits paid	32.1	(2.3)	(1.9)	–	–
Tax paid		(421.4)	(365.7)	(9.3)	(2.9)
Net cash from/(used in) operating activities		1,370.7	1,287.7	(15.7)	22.0
Cash Flows From Investing Activities					
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed	12.1.1	3,448.7	–	3,771.3	–
Interest received		56.9	33.8	12.9	1.8
Dividends received from associates		49.6	29.3	–	–
Proceeds from disposal of property, plant and equipment		4.0	5.4	–	–
Dividends received from other investments		3.1	3.2	0.1	0.1
Additions to other investments		(0.3)	–	–	–
Additional investment in an associate		(1.5)	–	(1.5)	–
Additions to prepaid lease payments		(2.1)	(3.8)	–	–
Advances to associates		(5.7)	–	(4.6)	–
Additions to property, plant and equipment	15	(444.3)	(497.9)	(0.1)	(0.1)
Proceeds from disposal of asset held for sales		–	25.0	–	–
Proceeds from disposal of other investments		–	0.5	–	0.5
Advances to a joint venture		–	(6.0)	–	(6.0)
Dividends received from subsidiaries		–	–	1,014.2	918.1
Redemption of preference shares		–	–	1.4	1.2
Additional investments in subsidiaries		–	–	(55.5)	(128.0)
Payments to subsidiaries		–	–	(1,332.7)	(383.4)
Net cash from/(used in) investing activities		3,108.4	(410.5)	3,405.5	404.2

The notes on pages 116 to 217 form an integral part of the financial statements.

In RM million	Note	Group 2018	Group 2017	Company 2018	Company 2017
Cash Flows From Financing Activities					
Proceeds from issuance of shares arising from exercise of share options		**2.4**	–	**2.4**	–
Dividends paid to non-controlling interests		**(18.4)**	(37.9)	**–**	–
Net (repayments)/drawdown of short term borrowings		**(164.0)**	104.0	**276.6**	–
Finance costs paid		**(205.6)**	(219.7)	**(46.1)**	(47.1)
Dividends paid	14	**(1,319.7)**	(565.9)	**(1,319.7)**	(565.9)
Repayments of term loans		**(1,570.2)**	(1,574.7)	**(1,327.6)**	(476.8)
Drawdown of term loans		**–**	1,086.9	**–**	474.8
Proceeds from issuance of shares to non-controlling interest		**–**	0.3	**–**	–
Repurchase of shares	30.2	**–**	(20.0)	**–**	(20.0)
Repayment to non-controlling interest, which is also an associate of the Group		**–**	(81.4)	**–**	–
Net cash used in financing activities		**(3,275.5)**	(1,308.4)	**(2,414.4)**	(635.0)
Net increase/(decrease) in cash and cash equivalents		**1,203.6**	(431.2)	**975.4**	(208.8)
Cash and cash equivalents at beginning of financial year		**1,522.1**	1,938.2	**42.6**	243.8
Effect of exchange rate changes		**38.9**	15.1	**41.4**	7.6
Cash and cash equivalents at end of financial year	36	**2,764.6**	1,522.1	**1,059.4**	42.6

The notes on pages 116 to 217 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 other than the disposal of 70% equity interest held in Loders Croklaan Group B.V. (now known as Bunge Loders Croklaan Group B.V.) by the Company.

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.

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

Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*
Amendments to MFRS 107 *Disclosure Initiative*
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

There is no impact upon adoption of the above Amendments to MFRSs during the financial year, except for the adoption of Amendments to MFRS 107 *Disclosure Initiative*, which requires the Group to provide disclosures on changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes as disclosed in Note 31.7 to the financial statements.

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 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	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
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	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
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of the adoption of these MFRSs, Amendments to MFRSs and IC Interpretations. However, some of the known effects are described as follows:

MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 and introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment and hedge accounting. MFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

Retrospective application is required but restatement of comparative information is not compulsory. The Group and the Company plan to apply this standard for financial year beginning on 1 July 2018 where no restatement of comparatives will be made.

NOTES TO THE FINANCIAL STATEMENTS

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 (continued)

MFRS 9 *Financial Instruments* (continued)

Classification and measurement

MFRS 9 requires for a financial asset to be measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income ("FVOCI") if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets will be measured at fair value through profit or loss ("FVTPL") if the assets that are held for trading or such financial assets are not qualify for neither held at amortised costs nor at FVOCI. Equity instruments that were not elected for FVOCI will be measured at FVTPL.

Classification and measurement of financial liabilities will remain largely unchanged.

Overall, the Group and the Company anticipate no significant impact to the financial statements in the area of classification and measurement for financial assets and financial liabilities.

Impairment

MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under MFRS 139. The ECL model applies to financial assets that are measured at amortised cost or at FVOCI and issued financial guarantee contracts, which will include trade receivables, advances to related companies and financial guarantee provided to third party in securing borrowings of related companies.

The Group and the Company plan to use the Simplified Approach and to apply the provisional matrix approach, flow-rate model to calculate expected credit loss for third party trade receivables. For financial assets other than trade receivables, including related company loans, the Group to apply Three-stage General Approach, ECL model, which takes into effect the 12-month ECL for assets that are within Stage 1, and lifetime ECL for all financial instruments for which there have been significant increases in credit risk.

The Group and the Company have assessed that the initial application of the new ECL model is not expected to have any significant impact on the financial statements of the Group and of the Company.

Hedge accounting

The requirements for general hedge accounting in MFRS 9 have been simplified and may result in more designation of hedge items for accounting purposes.

The Group and the Company have retained the present hedge accounting when applying MFRS 9 and expects no impact on the financial statements of the Group and of 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 (continued)

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cashflows arising from an entity's contracts with customers. MFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

MFRS 15 supersedes the following standards:

- MFRS 111 *Construction Contracts*
- MFRS 118 *Revenue*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 15 *Agreements for the Construction of Real Estate*
- IC Interpretation 18 *Transfers of Assets from Customers*
- IC Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services*

The Group and the Company plan to apply this standard using retrospective approach with cumulative effect method, the cumulative effect of initially applying this standard is an adjustment to the opening balance on initial application of MFRS 15 on 1 July 2018.

The principles in MFRS 15 requires for an entity to measure and recognise revenue through a five-step model as follows:

1) Identify the contract(s) with a customer;
2) Identify the performance obligation in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract; and
5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group and the Company have assessed that the initial application of MFRS 15 is not expected to have any significant impact on the financial statements of the Group and the Company.

MFRS 16 *Leases*

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires for lessee to account for all leases under a single on-balance sheet model. MFRS 16 will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transaction Involving the Legal Form of a Lease*.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019 but early application is permitted. The Group and the Company plan to early adopt and apply this standard using cumulative effect approach, the cumulative effect of initially applying this standard is an adjustment to the opening balance on initial application of MFRS 16 on 1 July 2018.

The Group and the Company have assessed that the initial application of MFRS 16 is not expected to have any significant impact on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

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.

4. SEGMENTAL INFORMATION (continued)

In RM million	Plantation	Resource-based manufacturing	Other operations	Elimination	Total continuing operations	Discontinued operations	Elimination	Total
Group								
2018								
Revenue								
External sales	257.6	7,147.0	13.0	–	7,417.6	4,692.9	–	12,110.5
Inter-segment sales	2,095.7	–	–	(2,095.7)	–	–	–	–
Inter-operation sales*	–	1,436.0	–	–	1,436.0	240.3	(1,676.3)	–
	2,353.3	8,583.0	13.0	(2,095.7)	8,853.6	4,933.2	(1,676.3)	12,110.5
Result								
Operating profit	927.1	352.3	4.6	–	1,284.0	169.8	–	1,453.8
Share of results of associates	106.9	34.0	–	–	140.9	–	–	140.9
Share of results of joint ventures	–	(2.6)	–	–	(2.6)	–	–	(2.6)
Segment results before fair value adjustments	1,034.0	383.7	4.6	–	1,422.3	169.8	–	1,592.1
Net fair value (loss)/gain on:								
Biological assets	(23.9)	–	–	–	(23.9)	–	–	(23.9)
Derivative financial instruments	–	0.3	–	–	0.3	25.9	–	26.2
Segment results	1,010.1	384.0	4.6	–	1,398.7	195.7	–	1,594.4

Note:

* *Inter-operations sales within continuing operations and discontinued operations.*

In RM million	Plantation	Resource-based manufacturing	Other operations	Total continuing operations	Discontinued operations	Total
Group						
2018						
Assets						
Operating assets	8,475.6	3,411.2	84.9	11,971.7	–	11,971.7
Interest in associates	869.3	1,621.8	–	2,491.1	–	2,491.1
Interest in joint ventures	–	32.0	–	32.0	–	32.0
Segment assets	9,344.9	5,065.0	84.9	14,494.8	–	14,494.8
Liabilities						
Segment liabilities	592.5	385.8	21.1	999.4	–	999.4
Other Information						
Capital expenditure	235.1	62.0	9.3	306.4	144.5	450.9
Depreciation and amortisation	284.0	93.3	0.5	377.8	30.7	408.5
Non-cash items other than depreciation and amortisation	10.8	74.8	5.7	91.3	17.9	109.2

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION (continued)

In RM million	Plantation	Resource-based manufacturing	Other operations	Elimination	Total continuing operations	Discontinued operations	Elimination	Total
Group								
2017								
Revenue								
External sales	234.1	7,001.9	13.3	–	7,249.3	6,878.0	–	14,127.3
Inter-segment sales	2,106.9	–	–	(2,106.9)	–	–	–	–
Inter-operation sales*	–	2,404.4	–	–	2,404.4	302.8	(2,707.2)	–
	2,341.0	9,406.3	13.3	(2,106.9)	9,653.7	7,180.8	(2,707.2)	14,127.3
Result								
Operating profit	1,107.9	158.9	9.2	–	1,276.0	203.3	–	1,479.3
Share of results of associates	110.7	30.0	–	–	140.7	–	–	140.7
Share of results of joint ventures	–	(3.4)	–	–	(3.4)	–	–	(3.4)
Segment results before fair value adjustments	1,218.6	185.5	9.2	–	1,413.3	203.3	–	1,616.6
Net fair value gain/(loss) on:								
Biological assets	11.6	–	–	–	11.6	–	–	11.6
Derivative financial instruments	0.3	(0.8)	–	–	(0.5)	(69.5)	–	(70.0)
Segment results	1,230.5	184.7	9.2	–	1,424.4	133.8	–	1,558.2

Note:

* *Inter-operations sales within continuing operations and discontinued operations.*

In RM million	Plantation	Resource-based manufacturing	Other operations	Total continuing operations	Discontinued operations	Total
Group						
2017						
Assets						
Operating assets	7,965.1	3,540.1	76.6	11,581.8	4,291.5	15,873.3
Interest in associates	901.1	220.0	–	1,121.1	–	1,121.1
Interest in joint ventures	–	34.5	–	34.5	–	34.5
Segment assets	8,866.2	3,794.6	76.6	12,737.4	4,291.5	17,028.9
Liabilities						
Segment liabilities	295.2	514.5	19.2	828.9	765.7	1,594.6
Other Information						
Capital expenditure	246.7	51.1	2.2	300.0	208.8	508.8
Depreciation and amortisation	264.2	99.1	0.4	363.7	116.0	479.7
Non-cash items other than depreciation and amortisation	8.4	107.4	7.8	123.6	75.7	199.3

4. SEGMENTAL INFORMATION (continued)

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

In RM million	2018 Continuing operations	2018 Discontinued operations	2018 Adjustments*	2018 Total	2017 Continuing operations	2017 Discontinued operations	2017 Adjustments*	2017 Total
Group								
Profit or loss								
Segment results	**1,398.7**	**195.7**	**–**	**1,594.4**	1,424.4	133.8	–	1,558.2
Unallocated corporate net expenses	**(18.1)**	**–**	**–**	**(18.1)**	(23.0)	–	–	(23.0)
Profit before interest and taxation	**1,380.6**	**195.7**	**–**	**1,576.3**	1,401.4	133.8	–	1,535.2
Finance costs	**(200.1)**	**(22.5)**	**16.8**	**(205.8)**	(205.5)	(31.1)	23.3	(213.3)
Interest income	**71.9**	**6.3**	**(16.8)**	**61.4**	60.9	1.5	(23.3)	39.1
Net foreign currency translation gain/(loss) on foreign currency denominated borrowings	**297.7**	**–**	**–**	**297.7**	(298.8)	–	–	(298.8)
Net foreign currency translation gain on foreign currency denominated deposits	**20.6**	**–**	**–**	**20.6**	25.0	–	–	25.0
Profit before taxation	**1,570.7**	**179.5**	**–**	**1,750.2**	983.0	104.2	–	1,087.2
Taxation	**(334.0)**	**(27.6)**	**–**	**(361.6)**	(292.7)	(38.8)	–	(331.5)
	1,236.7	**151.9**	**–**	**1,388.6**	690.3	65.4	–	755.7
Gain on disposal of discontinued operations	**–**	**1,154.8**	**–**	**1,154.8**	–	10.4	–	10.4
Gain on re-measurement of the remaining equity interest held as associate	**–**	**342.1**	**–**	**342.1**	–	–	–	–
Recognition of fair value of put and call options	**–**	**182.8**	**–**	**182.8**	–	–	–	–
Profit for the financial year	**1,236.7**	**1,831.6**	**–**	**3,068.3**	690.3	75.8	–	766.1

Note:

* *Inter-operations transactions within continuing operations and discontinued operations.*

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION (continued)

In RM million	2018 Continuing operations	2018 Discontinued operations	2018 Total	2017 Continuing operations	2017 Discontinued operations	2017 Total
Group						
Assets						
Segment assets	**14,494.8**	**–**	**14,494.8**	12,737.4	4,291.5	17,028.9
Unallocated corporate assets	**2,247.8**	**–**	**2,247.8**	966.3	29.5	995.8
Total assets	**16,742.6**	**–**	**16,742.6**	13,703.7	4,321.0	18,024.7
Liabilities						
Segment liabilities	**999.4**	**–**	**999.4**	828.9	765.7	1,594.6
Unallocated corporate liabilities	**6,327.5**	**–**	**6,327.5**	7,986.1	725.3	8,711.4
Total liabilities	**7,326.9**	**–**	**7,326.9**	8,815.0	1,491.0	10,306.0

Geographical Segments

In RM million	Malaysia	Europe	North America	Asia	Others	Consolidated
Group						
2018						
Revenue from external customers by location of customers	**2,914.8**	**3,725.9**	**1,651.3**	**3,411.8**	**406.7**	**12,110.5**
Segment assets by location of assets	**11,747.9**	**1,882.4**	**23.4**	**841.1**	**–**	**14,494.8**
Capital expenditure by location of assets	**264.4**	**25.1**	**41.0**	**68.8**	**51.6**	**450.9**
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

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

5. REVENUE

Continuing Operations

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Sales of plantation produce and related products	**257.6**	234.1	**10.6**	10.0
Resource-based manufacturing				
Total sale of Resource-based manufacturing	**8,583.0**	9,406.3	**–**	–
Less: Sales to discontinued operations	**(1,436.0)**	(2,404.4)	**–**	–
	7,147.0	7,001.9	**–**	–
Dividend income	**3.1**	3.2	**1,014.3**	918.2
Management fees	**9.9**	9.1	**–**	–
Others	**–**	1.0	**58.3**	31.0
	7,417.6	7,249.3	**1,083.2**	959.2

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

Continuing Operations

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Fair value gain on derivative financial instruments	**48.8**	110.0	**–**	–
Fair value gain on other investments	**1.5**	6.4	**0.4**	0.4
Fair value gain on short term funds	**4.0**	2.6	**–**	–
Foreign currency translation gain				
- Realised	**139.1**	22.0	**5.0**	3.1
- Unrealised	**33.2**	23.4	**46.3**	62.7
Gain on disposal of property, plant and equipment	**2.7**	3.8	**–**	–
Gain arising from acquisition of interest in an associate	**4.3**	1.6	**–**	–
Net gain arising from changes in fair value of biological assets	**–**	11.6	**–**	–
Realised fair value gain on derivative financial instruments	**509.2**	477.5	**–**	–
Reversal of impairment loss on investment in subsidiary	**–**	–	**–**	4.3
Others	**48.9**	50.7	**16.2**	12.6
	791.7	709.6	**67.9**	83.1

7. OTHER OPERATING EXPENSES

Continuing Operations

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Depreciation of property, plant and equipment	**147.6**	157.7	**0.6**	0.6
Fair value loss on derivative financial instruments	**48.5**	110.5	**–**	–
Fair value loss on other investments	**19.3**	6.8	**–**	–
Fair value loss on put and call options	**6.8**	–	**6.8**	–
Fair value loss on short term funds	**2.6**	1.0	**–**	–
Foreign currency translation loss				
- Realised	**76.7**	60.9	**15.9**	33.3
- Unrealised	**33.7**	3.6	**25.8**	41.8
Impairment losses on advances to subsidiaries	**–**	–	**4.2**	–
Impairment losses on goodwill	**2.0**	–	**–**	–
Impairment losses on investment in a joint venture	**–**	–	**18.0**	–
Impairment losses on property, plant and equipment	**15.8**	–	**–**	–
Impairment losses on receivables	**1.7**	0.4	**–**	–
Loss on disposal of property, plant and equipment	**–**	0.6	**–**	–
Loss on liquidation of subsidiaries	**–**	4.4	**–**	10.1
Net loss arising from changes in fair value of biological assets	**23.9**	–	**0.1**	–
Property, plant and equipment written off	**4.6**	11.2	**–**	–
Realised fair value loss on derivative financial instruments	**353.5**	502.9	**–**	–
Rental expenses	**13.3**	11.7	**–**	–
Research and development expenses	**8.9**	7.9	**–**	–
Others	**35.4**	26.5	**11.7**	7.9
	794.3	906.1	**83.1**	93.7

8. INTEREST INCOME

Continuing Operations

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Short term funds	**27.2**	21.5	**–**	–
Short term deposits	**24.9**	12.3	**12.0**	1.0
Subsidiaries	**–**	–	**43.8**	44.7
Discontinued operations	**16.8**	23.3	**–**	–
Others	**3.0**	3.8	**1.1**	0.9
	71.9	60.9	**56.9**	46.6

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

Continuing Operations

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Interest expenses				
Term loans	**37.5**	43.5	**–**	–
Notes	**104.2**	102.0	**–**	–
Short term loans	**3.0**	1.9	**–**	–
Subsidiaries	**–**	–	**92.8**	90.5
Associates	**1.9**	2.1	**–**	–
Others	**0.9**	2.4	**1.0**	1.0
	147.5	151.9	**93.8**	91.5
Profit payment on Islamic financing	**57.1**	60.7	**46.1**	47.1
Total finance costs	**204.6**	212.6	**139.9**	138.6
Less: Interest capitalised (Note 15)	**(4.5)**	(7.1)	**–**	–
Net finance costs	**200.1**	205.5	**139.9**	138.6

NOTES TO THE FINANCIAL STATEMENTS

10. PROFIT BEFORE TAXATION

Continuing Operations

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
a) Other than those disclosed in Notes 6 and 7 to the financial statements, profit before taxation has been arrived at after charging:				
Amortisation of prepaid lease payments	**0.1**	0.4	**–**	–
Amortisation of intangible assets	**1.1**	4.6	**–**	–
Auditors' remuneration				
BDO and affiliates				
Statutory audit	**1.4**	1.0	**0.5**	0.1
Non-statutory audit				
- tax compliance and advisory services	**0.5**	0.3	**0.2**	–
- others	**0.1**	0.1	**0.1**	0.1
Member firms of BDO International				
Statutory audit	**0.5**	1.3	**0.3**	–
Other auditors				
Statutory audit	**0.9**	1.0	**–**	–
Depreciation of property, plant and equipment	**376.6**	358.7	**1.8**	1.7
Inventories written down to net realisable values	**19.2**	2.9	**–**	–
Net foreign currency translation loss on foreign currency denominated borrowings	**–**	298.8	**–**	163.8
Property, plant and equipment written off	**11.6**	14.8	**–**	–
and crediting:				
Dividends received from:				
- other quoted investments in Malaysia	**2.5**	2.7	**0.1**	0.1
- other unquoted investments in Malaysia	**0.6**	0.5	**–**	–
- unquoted subsidiaries	**–**	–	**1,014.2**	918.1
Impairment losses on receivables written back (Note 23.1)	**0.2**	2.9	**–**	–
Net foreign currency translation gain on foreign currency denominated borrowings	**297.7**	–	**160.0**	–
Net foreign currency translation gain on foreign currency denominated deposits	**20.6**	25.0	**22.1**	25.3
Reversal of inventories written down to net realisable values	**1.6**	3.4	**–**	–
Rental income from:				
- investment properties	**0.4**	0.4	**–**	–
- storage tank	**8.1**	7.3	**–**	–
- others	**1.2**	1.4	**–**	–

Cost of inventories of the Group recognised as an expense during the financial year amounted to RM4,618.1 million (2017 – RM4,487.9 million).

10. PROFIT BEFORE TAXATION (continued)

Continuing Operations (continued)

b) Employee information

The employee benefits costs are as follows:

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Wages, salaries and others	**774.9**	653.7	**47.9**	32.2
Post employment benefits	**27.7**	27.9	**1.9**	3.7
Share option expenses (Note 29.1.3)	**–**	19.1	**–**	3.6
Retirement benefits expenses	**4.2**	4.2	**–**	–
	806.8	704.9	**49.8**	39.5

11. TAXATION

Continuing Operations

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Current year				
Malaysian income taxation	**349.3**	319.1	**6.8**	3.3
Foreign taxation	**2.7**	0.1	**–**	–
Deferred taxation	**(27.3)**	(17.8)	**0.2**	0.3
	324.7	301.4	**7.0**	3.6
Prior years				
Malaysian income taxation	**3.9**	(2.8)	**6.0**	(2.3)
Foreign taxation	**7.4**	(0.5)	**–**	–
Deferred taxation	**(2.0)**	(5.4)	**(0.5)**	(0.5)
	9.3	(8.7)	**5.5**	(2.8)
	334.0	292.7	**12.5**	0.8

NOTES TO THE FINANCIAL STATEMENTS

11. TAXATION (continued)

Continuing Operations (continued)

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

	Group		Company	
%	2018	2017	2018	2017
Applicable tax rate	**24.00**	24.00	**24.00**	24.00
Tax effects in respect of:				
Non allowable expenses	**3.79**	11.13	**4.57**	14.54
Non-taxable income	**(5.05)**	(0.24)	**(6.15)**	(5.49)
Tax exempt income	**(0.37)**	(0.81)	**(22.05)**	(32.91)
Tax incentives and allowances	**(0.28)**	(0.31)	**–**	–
Utilisation of previously unrecognised tax losses and capital allowances	**(0.03)**	(0.05)	**(0.04)**	(0.04)
Deferred tax assets not recognised	**0.57**	0.68	**–**	–
Different tax rates in foreign jurisdiction	**0.04**	(0.02)	**–**	–
Share of post-tax results of associates	**(2.15)**	(3.43)	**–**	–
Share of post-tax results of joint ventures	**0.04**	0.08	**–**	–
Other items	**0.11**	(0.36)	**0.30**	0.44
	20.67	30.67	**0.63**	0.54
Under/(Over) provision in prior years	**0.59**	(0.89)	**0.50**	(0.42)
	21.26	29.78	**1.13**	0.12

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% (2017 – 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.

Subject to agreement with the tax authorities, certain subsidiaries of the Group and the Company have unutilised tax losses of approximately RM153.9 million (2017 – RM118.3 million) and nil (2017 – RM1.9 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

12.1 Divestment of Loders Croklaan Group B.V.

On 1 March 2018, the Company disposed of 70% of its equity interest held in Loders Croklaan Group B.V. ("Loders"), a wholly-owned subsidiary of the Company for a preliminary disposal consideration of USD595.0 million plus EUR303.4 million ("Disposal"). The preliminary disposal consideration is subject to adjustments, which will be determined at a later date in accordance with the terms of the sale and purchase agreement.

Prior to the Disposal, the Company has completed an internal restructuring exercise, which involved Loders acquiring all of the Company's equity interest in IOI Lipid Enzymtec Sdn Bhd and IOI Edible Oils (HK) Limited.

Following the completion of the Disposal, the Company continues to hold a 30% equity interest in Loders, and will play an important role in contributing to the future growth of Loders, both through representation on the managing board of Loders and as a major palm oil supplier.

In addition, following the divestment of Loders, the Company and Koninklijke Bunge B.V. were granted put and call options respectively as disclosed in Note 19(v) to the financial statements.

The analysis of the above divestment is summarised as follows:

In RM million			Group
Gain arising from divestment of Loders			
Disposal of 70% equity interest in Loders			
Disposal proceeds, net of related expenses			**3,707.1**
Less: Net carrying amount of Loders			
Property, plant and equipment		**(1,572.1)**	
Goodwill		**(123.9)**	
Inventories		**(1,638.5)**	
Trade and other receivables		**(709.9)**	
Cash and bank balances		**(322.6)**	
Trade and other payables		**731.3**	
Deferred tax assets		**(20.1)**	
Deferred tax liabilities		**135.5**	
Other assets		**(12.1)**	
Other liabilities		**46.8**	
		(3,485.6)	
70% of net carrying amount of Loders			**(2,439.9)**
Less: Foreign currency translation reserve and hedging reserve			**(112.4)**
Gain on disposal of 70% equity interest in Loders	**A**		**1,154.8**
Recognition of the remaining 30% equity interest in Loders as an associate			
Fair value of the remaining 30% equity interest in Loders			**1,387.8**
Less: Carrying amount of 30% equity interest			**(1,045.7)**
Net gain on re-measurement of the remaining 30% equity interest	**B**		**342.1**
Recognition of fair value of put and call options of the remaining 30% equity interest in Loders	**C**		**182.8**
Total gain arising from the divestment of Loders	**A + B + C**		**1,679.7**

NOTES TO THE FINANCIAL STATEMENTS

12. DISCONTINUED OPERATIONS (continued)

12.1 Divestment of Loders Croklaan Group B.V. (continued)

In RM million		Company
Gain arising from divestment of Loders		
Disposal of 70% equity interest in Loders		
Disposal proceeds, net of related expenses		**3,707.1**
Less: 70% of carrying amount of investment at date of disposal		**(1,788.2)**
Gain on disposal of 70% equity interest in Loders	**A**	**1,918.9**
Disposal of IOI Lipid Enzymtec Sdn Bhd		
Disposal consideration		**330.5**
Less: Cost of investment		**(291.0)**
Gain on disposal		**39.5**
Disposal of IOI Edible Oils (HK) Limited		
Disposal consideration		**283.7**
Less: Cost of investment		**(270.6)**
Gain on disposal		**13.1**
Gain arising from internal restructuring	**B**	**52.6**
Recognition of fair value of put and call options of the remaining 30% equity interest in Loders	**C**	**182.8**
Total gain arising from the divestment of Loders	**A + B + C**	**2,154.3**

12.1.1 Net proceeds from disposal of the discontinued operations, net of cash and cash equivalents disposed

In RM million	Group	Company
Net proceeds	**3,796.2**	**3,796.2**
Less: Cash and cash equivalent of discontinued operations	**(322.6)**	**–**
	3,473.6	**3,796.2**
Less: Adjustments of proceeds not received as at 30 June 2018	**(24.9)**	**(24.9)**
	3,448.7	**3,771.3**

12.2 Disposal of property, plant and equipment

During the previous financial year, 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.

12. DISCONTINUED OPERATIONS (continued)

12.3 Results of discontinued operations, net of tax

The analysis of the results of the discontinued operations is as follows:

	Group	
In RM million	2018	2017
Revenue	**4,692.9**	6,878.0
Expenses	**(4,513.4)**	(6,773.8)
Results from operating activities	**179.5**	104.2
Taxation	**(27.6)**	(38.8)
Results from operating activities, net of tax	**151.9**	65.4
Gain on disposal of discontinued operations	**1,154.8**	10.4
Gain on re-measurement of the remaining equity interest held as associate	**342.1**	–
Recognition of fair value of put and call options	**182.8**	–
Profit for the financial year from discontinued operations, net of tax	**1,831.6**	75.8

12.3.1 Cash flows attributable to discontinued operations

	Group	
In RM million	2018	2017
Net cash from operating activities	**390.6**	122.7
Net cash used in investing activities	**(476.7)**	(283.0)
Net cash from financing activities	**365.3**	201.6
	279.2	41.3

12.3.2 Profit before taxation

	Group	
In RM million	2018	2017
Operating profit from discontinued operations has been arrived at after charging:		
Fair value loss on derivative financial instruments	**2.7**	76.0
Impairment losses on receivables	**0.6**	–
Loss on disposal of property, plant and equipment	**0.1**	–
Property, plant and equipment written off	**0.5**	0.7
Foreign currency translation loss		
- Realised	**26.5**	0.2
- Unrealised	**15.2**	2.8
Depreciation of property, plant and equipment	**30.7**	116.0
Retirement benefits expenses	**–**	1.2
and crediting		
Fair value gain on derivative financial instruments	**28.6**	6.5
Foreign currency translation gain		
- Realised	**0.6**	53.9
- Unrealised	**–**	2.8

NOTES TO THE FINANCIAL STATEMENTS

12. DISCONTINUED OPERATIONS (continued)

12.3 Results of discontinued operations, net of tax (continued)

12.3.3 Taxation

In RM million	Group 2018	Group 2017
Current year		
Malaysian income taxation	**4.5**	8.2
Foreign taxation	**33.4**	52.1
Deferred taxation	**2.6**	(26.1)
	40.5	34.2
Prior years		
Malaysian income taxation	**–**	4.7
Deferred taxation	**(12.9)**	(0.1)
	(12.9)	4.6
	27.6	38.8

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 2018	Group 2017
In RM million		
Profit for the financial year attributable to owners of the parent		
From continuing operations	**1,228.9**	667.4
From discontinued operations	**1,831.6**	75.8
	3,060.5	743.2
In million		
Weighted average number of ordinary shares in issue after deducting the treasury shares	**6,284.0**	6,287.5
In sen		
Basic earnings per ordinary share		
From continuing operations	**19.56**	10.62
From discontinued operations	**29.14**	1.20
	48.70	11.82

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	
	2018	**2017**
In RM million		
Profit for the financial year attributable to owners of the parent		
From continuing operations	**1,228.9**	667.4
From discontinued operations	**1,831.6**	75.8
	3,060.5	743.2

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

	Group	
	2018	**2017**
In million		
Weighted average number of ordinary shares in issue after deducting the treasury shares	**6,284.0**	6,287.5
Adjustments for share option granted to Eligible Persons of the Group	**0.7**	0.3
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share	**6,284.7**	6,287.8
In sen		
Diluted earnings per ordinary share		
From continuing operations	**19.56**	10.62
From discontinued operations	**29.14**	1.20
	48.70	11.82

14. DIVIDENDS

	Group and Company	
In RM million	**2018**	**2017**
First interim single tier dividend in respect of financial year ended 30 June 2018 declared and paid of 4.5 sen per ordinary share	**282.8**	–
Special single tier dividend in respect of financial year ended 30 June 2018 declared and paid of 11.5 sen per ordinary share	**722.7**	–
Second interim single tier dividend in respect of financial year ended 30 June 2017 declared and paid of 5.0 sen per ordinary share	**314.2**	–
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 2016 declared and paid of 4.5 sen per ordinary share	**–**	283.0
	1,319.7	565.9

The Directors declared a second interim single tier dividend of 4.5 sen per ordinary share, amounting to RM282.8 million in respect of the financial year ended 30 June 2018. The dividend is payable on 21 September 2018 to shareholders whose names appeared in the Record of Depositors and Register of Members of the Company at the close of business on 6 September 2018.

No final dividend has been recommended by the Directors for the financial year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

Group
2018

In RM million	At beginning of financial year	Additions	Disposals	Foreign currency translation differences	Write-offs	Reclassifications	Disposal of subsidiaries (Note 12.1)	At end of financial year
At cost								
Freehold land	**1,995.1**	**2.6**	**(0.5)**	**(8.2)**	**–**	**–**	**(136.2)**	**1,852.8**
Leasehold land	**3,879.3**	**–**	**(0.2)**	**(0.7)**	**–**	**–**	**(51.8)**	**3,826.6**
Bearer plants	**2,704.8**	**127.2**	**(0.2)**	**(35.1)**	**(35.2)**	**–**	**–**	**2,761.5**
Buildings and improvements	**1,811.0**	**10.0**	**(0.2)**	**(26.7)**	**(3.3)**	**7.6**	**(784.2)**	**1,014.2**
Plant and machinery	**3,993.5**	**121.0**	**(1.9)**	**(77.8)**	**(20.8)**	**33.6**	**(1,733.2)**	**2,314.4**
Construction in progress	**278.6**	**133.6**	**(0.3)**	**(9.4)**	**–**	**(45.4)**	**(278.6)**	**78.5**
Other property, plant and equipment	**501.1**	**54.4**	**(4.3)**	**(4.0)**	**(11.1)**	**4.2**	**(78.2)**	**462.1**
	15,163.4	**448.8**	**(7.6)**	**(161.9)**	**(70.4)**	**–**	**(3,062.2)**	**12,310.1**

In RM million	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	Disposal of subsidiaries (Note 12.1)	At end of financial year
Accumulated depreciation							
Leasehold land	**203.1**	**52.5**	**–**	**(0.6)**	**–**	**(17.1)**	**237.9**
Bearer plants	**1,187.3**	**152.0**	**(0.1)**	**(2.0)**	**(25.7)**	**–**	**1,311.5**
Buildings and improvements	**774.0**	**43.9**	**(0.2)**	**(9.0)**	**(2.4)**	**(312.0)**	**494.3**
Plant and machinery	**2,626.2**	**127.2**	**(1.8)**	**(32.1)**	**(19.4)**	**(1,097.3)**	**1,602.8**
Other property, plant and equipment	**285.9**	**31.7**	**(4.1)**	**(2.4)**	**(10.8)**	**(63.7)**	**236.6**
	5,076.5	**407.3**	**(6.2)**	**(46.1)**	**(58.3)**	**(1,490.1)**	**3,883.1**

In RM million	At beginning of financial year	Current year impairment losses	At end of financial year
Accumulated impairment			
Bearer plants	**–**	**12.8**	**12.8**
Buildings and improvements	**–**	**2.0**	**2.0**
Plant and machinery	**–**	**0.1**	**0.1**
Other property, plant and equipment	**–**	**0.9**	**0.9**
	–	**15.8**	**15.8**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company
2018

In RM million	At beginning of financial year	Additions	At end of financial year
At cost			
Freehold land	**71.9**	**–**	**71.9**
Bearer plants	**20.8**	**0.1**	**20.9**
Other property, plant and equipment	**4.3**	**–**	**4.3**
	97.0	**0.1**	**97.1**

In RM million	At beginning of financial year	Current year depreciation charge	At end of financial year
Accumulated depreciation			
Bearer plants	**6.1**	**1.2**	**7.3**
Other property, plant and equipment	**2.7**	**0.6**	**3.3**
	8.8	**1.8**	**10.6**

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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Carrying amount				
Freehold land	**1,852.8**	1,995.1	**71.9**	71.9
Leasehold land	**3,588.7**	3,676.2	**–**	–
Bearer plants	**1,437.2**	1,517.5	**13.6**	14.7
Buildings and improvements	**517.9**	1,037.0	**–**	–
Plant and machinery	**711.5**	1,367.3	**–**	–
Construction in progress	**78.5**	278.6	**–**	–
Other property, plant and equipment	**224.6**	215.2	**1.0**	1.6
	8,411.2	10,086.9	**86.5**	88.2

An impairment loss on property, plant and equipment amounting to RM15.8 million has been recognised during the financial year due to the recoverable amounts of the property, plant and equipment in the Cash-generating Unit, which are determined based on cash flow projections, are lower than their carrying amounts. The disclosures of the key inputs and assumptions are similar to the impairment assessment on the goodwill, which have been set out in Note 16.1 to the financial statements.

Included in the Group's bearer plants is an amount of interest expense capitalised during the financial year amounting to RM4.5 million (2017 – RM7.1 million).

Interest is capitalised at 6.48% (2017 – 5.99%) per annum.

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

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Additions to property, plant and equipment	**448.8**	505.0	**0.1**	0.1
Interest capitalised (Note 9)	**(4.5)**	(7.1)	**–**	–
Cash payments on purchase of property, plant and equipment	**444.3**	497.9	**0.1**	0.1

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 accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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 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.

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	2018	2017
Goodwill (Note 16.1)	**335.9**	462.1
Other intangible assets (Note 16.2)	**59.0**	60.0
	394.9	522.1

16.1 Goodwill

	Group	
In RM million	2018	2017
At cost		
At beginning of financial year	**462.1**	462.7
Disposal of subsidiaries (Note 12.1)	**(123.9)**	–
Exchange differences	**(0.3)**	(0.6)
	337.9	462.1
Less: Impairment losses	**(2.0)**	–
	335.9	462.1

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.

16. INTANGIBLE ASSETS (continued)

16.1 Goodwill (continued)

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	2018	2017
Plantation	**126.5**	128.5
Resource-based manufacturing	**209.4**	333.6
	335.9	462.1

An impairment loss on goodwill amounting to RM2.0 million has been recognised and allocated to plantation segment during the financial year. Impairment loss on goodwill arising from this segment is due to the recoverable amount of the CGUs, which is determined based on cash flow projections, is lower than its carrying amount.

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, which requires significant judgements, estimates about the future results and key assumptions made 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 7.49% (2017 – 7.67%).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

17. SUBSIDIARIES

17.1 Investments in subsidiaries

In RM million	Company 2018	Company 2017
At cost		
Unquoted shares in Malaysia	**6,615.3**	6,877.7
Unquoted shares outside Malaysia	**222.8**	1,148.2
	6,838.1	8,025.9

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.

2018

During the financial year, the Company subscribed additional shares and disposed of subsidiaries as follows:

17.1.1 Divestment of Loders Croklaan Group B.V.

i. **Internal restructuring**

Pursuant to the divestment of Loders Croklaan Group B.V. ("Loders") as disclosed in Note 12.1, the Company disposed the following subsidiaries to Loders as part of the conditions precedent of the share purchase agreement in relation to the Disposal.

Subsidiaries disposed	No. of shares	Consideration *Million*
IOI Lipid Enzymtec Sdn Bhd	291,000,000	RM330.5
IOI Edible Oils (HK) Limited	551,606,543	USD72.7 (equivalent to RM283.7)

The above disposals were settled by additional share premium contribution to Loders.

ii. **Capitalisation**

The Company has capitalised amounts due from Loders amounting to EUR262.4 million (equivalent to RM1,260.1 million) to form part of the equity of Loders.

17. SUBSIDIARIES (continued)

17.1 Investments in subsidiaries (continued)

17.1.1 Divestment of Loders Croklaan Group B.V. (continued)

iii. **Disposal of 70% of equity interest in Loders**

Subsequent to the internal restructuring and capitalisation as mentioned in notes i and ii above, the Company had subsequently disposed 70% equity interest in Loders and continues to hold a remaining 30% equity interest as associate.

The details and impact of the divestment of Loders are disclosed in Note 12.1 to the financial statements.

17.1.2 Other subscription of shares and redemption of preference shares

i. subscribed for an additional 30,000,000 ordinary shares in IOI Global Services Sdn Bhd with cash payments of RM30.0 million.

ii. redeemed 1,400,000 redeemable preference shares in Morisem Consolidated Sdn Bhd with total redemption amount of RM1.4 million.

iii. subscribed for an additional 49,019,842 redeemable preference shares in IOI Edible Oils (HK) Limited with cash payments of HKD49.0 million (equivalent to RM25.5 million).

2017

During the previous 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 amounted 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 was RM10.1 million.

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 6.48% (2017 – 0% to 5.99%) 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.

NOTES TO THE FINANCIAL STATEMENTS

17. SUBSIDIARIES (continued)

17.3 Different financial year end of a subsidiary

Due to local requirements, an indirect subsidiary of the Company, Tianjin Palmco Oil And Fats Co. Ltd adopts 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 2018.

18. ASSOCIATES

18.1 Investments in associates

	Group		Company	
In RM million	2018	2017	2018	2017
At cost				
Shares quoted outside Malaysia	**434.0**	434.0	**–**	–
Unquoted shares outside Malaysia*	**1,387.8**	–	**766.4**	–
Unquoted shares in Malaysia	**83.9**	82.4	**21.9**	20.4
	1,905.7	516.4	**788.3**	20.4
Share of post acquisition results and reserves	**585.4**	604.7	**–**	–
	2,491.1	1,121.1	**788.3**	20.4
At Market Value				
Shares quoted outside Malaysia	**1,020.9**	1,300.7	**–**	–

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.

* *The fair value of the remaining 30% equity interest in Loders is related to the divestment of 70% equity interest as disclosed in Note 12.1 to the financial statements.*

18. ASSOCIATES (continued)

18.2 Material associates and summary of financial information

The Group regards Bumitama Agri Ltd ("Bumitama") and Bunge Loders Croklaan Group B.V. ("Bunge Loders") as material associates.

Bumitama

The summary of financial information of Bumitama for the year ended 31 March 2018 is summarised as follows:

	Bumitama	
In RM million	2018	2017
Assets and liabilities		
Current assets	**574.4**	724.8
Non-current assets	**3,864.5**	4,090.1
Total assets	**4,438.9**	4,814.9
Current liabilities	**(1,183.9)**	(633.3)
Non-current liabilities	**(860.9)**	(1,674.2)
Total liabilities	**(2,044.8)**	(2,307.5)
Net assets	**2,394.1**	2,507.4
Non-controlling interests	**(310.5)**	(273.1)
Net assets attributable to shareholders of Bumitama	**2,083.6**	2,234.3
Results		
Revenue	**2,396.3**	2,262.7
Profit for the financial year	**350.0**	333.4
Other comprehensive income	**(32.6)**	106.3
Total comprehensive income	**317.4**	439.7

NOTES TO THE FINANCIAL STATEMENTS

18. ASSOCIATES (continued)

18.2 Material associates and summary of financial information (continued)

Bunge Loders

The summary of financial information of Bunge Loders for the period ended 30 June 2018 is summarised as follows:

In RM million	Bunge Loders 2018
Assets and liabilities	
Current assets	2,382.8
Non-current assets	1,733.2
Total assets	4,116.0
Current liabilities	(479.8)
Non-current liabilities	(142.7)
Total liabilities	(622.5)
Net assets attributable to shareholders of Bunge Loders	3,493.5
Results	
Revenue	2,208.3
Profit for the period	57.1
Other comprehensive income	38.8
Total comprehensive income	95.9

The information above represents the amounts in the financial statements of associates 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 associates is as follows:

In RM million	Bumitama	Bunge Loders
2018		
Net assets attributable to shareholders of associates	2,083.6	3,493.5
Proportion of ownership interest held by the Group	32.00%	30.00%
Group's share of net assets	666.7	1,048.0
Goodwill	168.7	–
Gain on re-measurement of remaining 30% equity interest	–	342.1
Carrying amount of Group's interest in associates	835.4	1,390.1
Dividend received during the financial year	46.5	–

18. ASSOCIATES (continued)

18.2 Material associates and summary of financial information (continued)

The reconciliation of the above summarised financial information to the carrying amount of the Group's interest in associates is as follows (continued):

In RM million	Bumitama
2017	
Net assets attributable to shareholders of associates	2,234.3
Proportion of ownership interest held by the Group	31.79%
Group's share of net assets	710.3
Goodwill	168.7
Carrying amount of Group's interest in Bumitama	879.0
Dividend received during the financial year	25.4

18.3 Other associates and summary of financial information

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

	Group	
In RM million	2018	2017
Profit for the financial year	**34.2**	29.5
Other comprehensive income	**(2.1)**	1.1
Total comprehensive income	**32.1**	30.6
Carrying amount	**265.6**	242.1

Dividends received from immaterial associates during the financial year amounted to RM3.1 million (2017 – RM3.9 million).

NOTES TO THE FINANCIAL STATEMENTS

19. DERIVATIVE FINANCIAL INSTRUMENTS

In RM million	Contract/ Notional amount Net (short)/long	Fair value Financial Assets	Fair value Financial Liabilities
Group			
2018			
Forward foreign exchange contracts	**(1,346.2)**	**4.5**	**22.9**
Commodity forward contracts	**(306.4)**	**43.3**	**13.6**
Commodity futures	**84.5**	**0.7**	**2.4**
Cross currency swap contracts	**1,577.9**	**142.3**	**53.6**
Interest rate swap contracts	**444.9**	**13.1**	**–**
Put option	**1,653.9**	**350.4**	**–**
Call option	**(2,067.4)**	**–**	**174.4**
Total derivative financial instruments		**554.3**	**266.9**
Less: Current portion		**(398.9)**	**(213.3)**
Non-current portion		**155.4**	**53.6**
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		197.0	115.0
Less: Current portion		(56.4)	(91.8)
Non-current portion		140.6	23.2

In RM million	Contract/ Notional amount Net long/(short)	Fair value Financial Assets	Fair value Financial Liabilities
Company			
2018			
Cross currency swap contracts	**808.9**	**–**	**53.6**
Interest rate swap contracts	**444.9**	**13.1**	**–**
Put option	**1,653.9**	**350.4**	**–**
Call option	**(2,067.4)**	**–**	**174.4**
Total derivative financial instruments		**363.5**	**228.0**
Less: Current portion		**(350.4)**	**(174.4)**
Non-current portion		**13.1**	**53.6**

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		0.7	25.0
Less: Current portion		–	(1.8)
Non-current portion		0.7	23.2

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 RM41.9 million (2017 – 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 loss of the USDEUR CCS as at end of the financial year is RM11.7 million (2017 – RM0.7 million).

iv. Interest rate swap contracts

Interest rate swap contracts are used to hedge the Group's exposures to movements in interest rates.

v. Put and call options

Following the divestment of 70% equity interest in Loders Croklaan Group B.V. (now known as Bunge Loders Croklaan Group B.V.) ("Loders") to Koninklijke Bunge B.V. ("Bunge"), the Company and Bunge have entered into a Shareholders' Agreement ("SHA") to regulate the business of Loders as well as the rights and obligation of the shareholders of Loders.

NOTES TO THE FINANCIAL STATEMENTS

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

v. Put and call options (continued)

In accordance with the SHA, the Company and Bunge were granted put and call options respectively during the first five (5) years from 1 March 2018 ("Option Period") as follows:

a) During the Option Period, the Company shall have the right to require Bunge to purchase all, but not less than all, of the Company's shares in Loders ("Put option") for a purchase price calculated in accordance with the terms and conditions of the SHA ("Put Price").

b) During the Option Period, Bunge shall have the right to require the Company to sell to Bunge all, but not less than all, of the Company's shares in Loders ("Call option") for an amount equal to 25% above of the Put Price.

The fair values of the put and call options have been derived using the Binomial option pricing model, which require significant judgements and assumptions made by the management.

The method and assumption applied in determining the fair values of the put and call options and sensitivity analysis are disclosed in Note 39.6 to the financial statements.

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 RM151.9 million (2017 – RM7.2 million) and RM203.0 million (2017 – RM11.7 million) respectively arising from fair value changes of derivative liabilities. The determination of the fair values of the derivative financial instruments involves significant judgments and assumptions made by the management. 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	2018	2017	2018	2017
At beginning of financial year	**1,257.9**	1,296.2	**3.7**	3.9
Recognised in profit or loss				
- Current year	**(24.7)**	(44.0)	**0.2**	0.3
- Prior years	**(14.9)**	(5.5)	**(0.5)**	(0.5)
	(39.6)	(49.5)	**(0.3)**	(0.2)
Recognised in other comprehensive income	**0.9**	1.2	**–**	–
Disposal of subsidiaries	**(115.4)**	–	**–**	–
Foreign currency translation differences	**(3.8)**	10.0	**–**	–
At end of financial year	**1,100.0**	1,257.9	**3.4**	3.7

20. DEFERRED TAXATION (continued)

Presented after appropriate offsetting as follows:

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Deferred tax liabilities	**1,114.7**	1,309.9	**3.4**	3.7
Deferred tax assets	**(14.7)**	(52.0)	**–**	–
	1,100.0	1,257.9	**3.4**	3.7

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 2018	Group 2017	Company 2018	Company 2017
At beginning of financial year	**1,309.9**	1,334.2	**3.7**	3.9
Recognised in profit or loss				
Temporary differences on property, plant and equipment	**(55.8)**	(38.6)	**(0.3)**	(0.2)
Other temporary differences	**6.1**	2.1	**–**	–
	(49.7)	(36.5)	**(0.3)**	(0.2)
Disposal of subsidiaries	**(135.5)**	–	**–**	–
Foreign currency translation differences	**(10.0)**	12.2	**–**	–
At end of financial year	**1,114.7**	1,309.9	**3.4**	3.7

Deferred tax assets

In RM million	Group 2018	Group 2017
At beginning of financial year	**52.0**	38.0
Recognised in profit or loss		
Temporary differences on unutilised tax losses	**(4.9)**	(0.5)
Temporary differences on derivative financial instruments	**–**	11.4
Other deductible temporary differences	**(5.2)**	2.1
	(10.1)	13.0
Recognised in other comprehensive income	**(0.9)**	(1.2)
Disposal of subsidiaries	**(20.1)**	–
Foreign currency translation differences	**(6.2)**	2.2
At end of financial year	**14.7**	52.0

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED TAXATION (continued)

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

	Group		Company	
In RM million	2018	2017	2018	2017
Temporary differences on property, plant and equipment	**1,109.9**	1,297.1	**3.3**	3.6
Other temporary differences	**4.8**	12.8	**0.1**	0.1
	1,114.7	1,309.9	**3.4**	3.7

Deferred tax assets

	Group	
In RM million	2018	2017
Unutilised tax losses	**3.9**	10.8
Derivative financial instruments	**–**	17.3
Other deductible temporary differences	**10.8**	23.9
	14.7	52.0

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	2018	2017	2018	2017
Unutilised tax losses	**153.9**	118.3	**–**	1.9

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	2018	2017	2018	2017
Prepaid lease payments (Note 21.1)	**12.8**	25.6	**–**	–
Investment properties (Note 21.2)	**6.8**	6.9	**–**	–
Interests in joint ventures (Note 21.3)	**32.0**	34.5	**32.0**	49.9
	51.6	67.0	**32.0**	49.9

21. OTHER NON-CURRENT ASSETS (continued)

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 fifty (50) years.

21.3 Interests in joint ventures

	Group		Company	
In RM million	**2018**	**2017**	**2018**	**2017**
Unquoted shares, at cost	**18.0**	18.0	**18.0**	18.0
Less: Impairment losses	**–**	–	**(18.0)**	–
	18.0	18.0	**–**	18.0
Share of post-acquisition results and reserves	**(18.0)**	(15.4)	**–**	–
	–	2.6	**–**	18.0
Amount due from a joint venture	**32.0**	31.9	**32.0**	31.9
	32.0	34.5	**32.0**	49.9

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

An impairment loss on cost of investment in a joint venture amounting to RM18.0 million has been recognised during the financial year due to the recoverable amount, which is determined based on cash flow projections, is lower than its carrying amount.

Amount due from a joint venture represent outstanding amounts arising from advances and payments made on behalf of a joint venture, which are unsecured, bear interest at 3.50% (2017 – 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	**2018**	**2017**
Loss for the financial year	**(2.6)**	(3.4)
Total comprehensive loss	**(2.6)**	(3.4)
Carrying amount	**32.0**	34.5

NOTES TO THE FINANCIAL STATEMENTS

22. INVENTORIES

In RM million	Group	
	2018	2017
At cost		
Plantation produce	**49.8**	44.3
Raw materials and consumables	**93.7**	1,400.4
Nursery inventories	**26.9**	26.8
Finished goods	**204.0**	523.0
Semi-finished goods	**87.6**	441.5
Others	**1.9**	2.3
	463.9	2,438.3
At net realisable value		
Raw materials and consumables	**221.7**	36.6
Finished goods	**263.5**	232.8
	485.2	269.4
	949.1	2,707.7

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

In RM million	Group		Company	
	2018	2017	2018	2017
Trade receivables (Note 23.1)	**532.9**	1,189.5	**–**	–
Other receivables, deposits and prepayments (Note 23.2)	**283.3**	371.1	**50.3**	20.6
	816.2	1,560.6	**50.3**	20.6

23. TRADE AND OTHER RECEIVABLES (continued)

23.1 Trade receivables

	Group	
In RM million	2018	2017
Trade receivables	**542.0**	1,200.6
Less: Impairment losses	**(9.1)**	(11.1)
	532.9	1,189.5

i. The normal trade credit terms granted by the Group range from 7 to 90 days (2017 – 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	2018	2017
At beginning of financial year	**11.1**	13.6
Charge for the financial year	**0.6**	0.4
Written back	**(0.2)**	(2.9)
Disposal of subsidiaries	**(2.4)**	–
At end of financial year	**9.1**	11.1

23.2 Other receivables, deposits and prepayments

	Group		Company	
In RM million	2018	2017	2018	2017
Other receivables	**241.3**	296.3	**30.0**	0.1
Less: Impairment losses	**(1.7)**	(0.4)	**–**	–
	239.6	295.9	**30.0**	0.1
Deposits	**24.9**	30.2	**20.2**	20.2
Prepayments	**18.8**	45.0	**0.1**	0.3
	283.3	371.1	**50.3**	20.6

NOTES TO THE FINANCIAL STATEMENTS

24. OTHER INVESTMENTS

	Group		Company	
In RM million	2018	2017	2018	2017
At fair value through profit or loss				
In Malaysia				
- Quoted shares	**74.2**	92.2	**4.4**	4.0
- Quoted warrants	**0.3**	–	**–**	–
- Unquoted shares	**8.3**	7.8	**–**	–
Outside Malaysia				
- Quoted shares	**3.3**	3.6	**–**	–
	86.1	103.6	**4.4**	4.0

25. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
In RM million	2018	2017	2018	2017
Amounts due from associates	**147.4**	1.4	**4.6**	–
	147.4	1.4	**4.6**	–

Amounts due from associates represent outstanding amount arising from sales, advances and payments made on behalf by associates, which are unsecured, interest-free and payable upon demand in cash and cash equivalents except for an amount of RM4.6 million (2017 – nil) which bears interest at rate of 1.33% per annum.

26. OTHER CURRENT ASSETS

	Group		Company	
In RM million	2018	2017	2018	2017
Biological assets (Note 26.1)	**28.4**	52.4	**0.1**	0.2
Current tax assets	**33.0**	30.8	**1.0**	7.4
	61.4	83.2	**1.1**	7.6

26. OTHER CURRENT ASSETS (continued)

26.1 Biological assets

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
At fair value				
Fresh fruit bunches				
At beginning of financial year	**52.4**	40.8	**0.2**	0.2
Changes in fair value less costs to sell	**(23.9)**	11.6	**(0.1)**	–
Foreign currency translation differences	**(0.1)**	–	**–**	–
At end of financial year	**28.4**	52.4	**0.1**	0.2

The biological assets of the Group comprise fresh fruit bunches ("FFB") prior to harvest. The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. To arrive at the fair value, the management has considered the oil content of the unripe FFB and derived the assumption that the net cash flows to be generated from FFB prior to more than 15 days to harvest is negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 80% of the ripe FFB, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Costs to sell include harvesting cost, transport and windfall profit levy.

During the financial year, the Group and the Company harvested approximately 3,514,857 tonnes (2017 – 3,155,628 tonnes) and 17,286 tonnes (2017 – 14,058 tonnes) of FFB respectively.

As at 30 June 2018, 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 RM3.6 million (2017 – RM6.3 million) and RM0.1 million (2017 – RM0.1 million) respectively.

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

27. SHORT TERM FUNDS

In RM million	Group 2018	Group 2017
At fair value through profit or loss		
Investments in fixed income trust funds in Malaysia	**1,087.9**	680.4

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.

28. DEPOSITS WITH FINANCIAL INSTITUTIONS

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Deposits with licensed banks	**1,276.0**	156.6	**971.4**	–

NOTES TO THE FINANCIAL STATEMENTS

29. SHARE CAPITAL

	2018		2017	
	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	**6,283,859,995**	**783.8**	6,461,816,195	646.2
Issue of shares arising from the exercise of ESOS at RM4.42 per ordinary share	**539,000**	**2.9**	–	–
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	**6,284,398,995**	**786.7**	6,283,859,995	783.8

* *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 6,284,398,995 (2017 – 6,283,859,995) issued and fully paid-up ordinary shares, none of the shares are held as treasury shares as disclosed in Note 30.2 to the financial statements.

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.

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.

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 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;

29. SHARE CAPITAL (continued)

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

b) Eligibility (continued)

<u>Employee of the Group</u> (continued)

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.

<u>Director of the Group</u>

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 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.

NOTES TO THE FINANCIAL STATEMENTS

29. SHARE CAPITAL (continued)

29.1 Executive Share Option Scheme (continued)

d) Exercise price

Following the implementation of the Companies Act 2016 in Malaysia, the exercise price shall be based on 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.

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.

29. SHARE CAPITAL (continued)

29.1 Executive Share Option Scheme (continued)

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	Exercised	Lapsed *	Outstanding as at end of the financial year	Exercisable as at end of the financial year
2018							
4.42	12 October 2016	**18,235,000**	**–**	**(539,000)**	**(1,622,500)**	**16,073,500**	**16,073,500**
Weighted average exercise price *(RM)*		**4.42**	**–**	**4.42**	**4.42**	**4.42**	**4.42**
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*

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
2018			
4.42	**16,073,500**	**4.42**	12 October 2016 - 28 January 2021
2017			
4.42	18,235,000	4.42	12 October 2016 - 28 January 2021

NOTES TO THE FINANCIAL STATEMENTS

29. SHARE CAPITAL (continued)

29.1 Executive Share Option Scheme (continued)

29.1.2 Fair value of share options granted during the previous financial year

The fair value of share options granted during the previous financial year determined using a Black-Scholes 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 previous financial year

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

30. RESERVES

	Group		Company	
In RM million	2018	2017	2018	2017
Capital reserves (Note 30.1)	**24.1**	26.8	**16.4**	19.1
Foreign currency translation reserve (Note 30.3)	**(24.0)**	25.1	**–**	–
Other reserves (Note 30.4)	**(12.8)**	(7.9)	**–**	–
Hedging reserve (Note 30.5)	**(4.2)**	(5.6)	**–**	–
	(16.9)	38.4	**16.4**	19.1

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

30.1 Capital reserves

	Group		Company	
In RM million	2018	2017	2018	2017
Net accretion in Group's share of net assets arising from shares issued by certain subsidiaries to non-controlling shareholders	**7.7**	7.7	**–**	–
Share option reserves	**16.4**	19.1	**16.4**	19.1
	24.1	26.8	**16.4**	19.1

30. RESERVES (continued)

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 30 October 2017.

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 previous financial year, the Company repurchased its issued ordinary shares from the open market and cancelled the treasury shares as follows:

			Purchase Price *		
	No. of Shares	Cost *RM million*	Highest *RM*	Lowest *RM*	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	–	–			

* *Purchase price included 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 Company did not repurchase any of its issued ordinary shares from the open market during the financial year.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31. BORROWINGS

	Group		Company	
In RM million	2018	2017	2018	2017
Non-current liabilities				
Unsecured				
Term loans (Note 31.1)	**769.0**	805.5	**–**	–
Islamic financing facilities (Note 31.2)	**1,090.5**	2,876.5	**444.3**	1,931.3
Less: Portion due within 12 months included under short term borrowings	**–**	(987.3)	**–**	(987.3)
	1,090.5	1,889.2	**444.3**	944.0
Notes (Note 31.4)	**2,416.7**	2,564.3	**–**	–
Finance lease obligation	**8.5**	8.9	**–**	–
Less: Portion due within 12 months included under short term borrowings	**(0.2)**	(0.2)	**–**	–
	8.3	8.7	**–**	–
	4,284.5	5,267.7	**444.3**	944.0
Current liabilities				
Unsecured				
Islamic financing facilities - portion due within 12 months (Note 31.2)	**–**	987.3	**–**	987.3
Trade financing (Note 31.5)	**251.5**	706.3	**–**	–
Islamic revolving credit financing facilities (Note 31.6)	**643.1**	382.3	**643.1**	382.3
Finance lease obligation - portion due within 12 months	**0.2**	0.2	**–**	–
	894.8	2,076.1	**643.1**	1,369.6
Total borrowings	**5,179.3**	7,343.8	**1,087.4**	2,313.6

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 (2017 – 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 (2017 – JPY6.0 billion). This fixed-rate loan bears interest at 4.50% per annum and is repayable in full on 5 February 2038.

31.2 Islamic financing facilities

The Islamic financing facilities of the Group include:

Unsecured

i. Commodity Murabahah Financing Facility of USD120.0 million that was drawn down on 5 May 2015 by the Company. The profit rate of this Islamic financing facility was 0.75% plus LIBOR and was fully repaid during the financial year. The outstanding amount as at end of the previous financial year was USD120.0 million.

ii. Commodity Murabahah Financing Facility of USD330.0 million that was drawn down on 5 May 2015 by the Company. The profit rate of this Islamic financing facility was 0.88% plus LIBOR. 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 previous financial year and the remaining Commodity Murabahah Financing Facility amounted to USD220.0 million was fully repaid during the financial year. The outstanding amount as at end of the previous financial year was USD220.0 million.

iii. Commodity Murabahah Financing Facility of USD30.0 million that was drawn down on 19 September 2016 by an indirect subsidiary. The profit rate of this Islamic financing facility was 2.05% plus LIBOR and was fully repaid during the financial year. The outstanding amount as at end of the previous financial year was USD30.0 million.

iv. Commodity Murabahah Financing Facility of EUR70.0 million that was drawn down on 21 January 2016 by an indirect wholly-owned subsidiary. Part of the Commodity Murabahah Financing Facility of EUR27.0 million was repaid during the financial year. The outstanding amount as at end of the financial year is EUR43.0 million (2017 – 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 EUR8.0 million for the first instalment and EUR35.0 million for the last instalment commencing 48 months from the first drawn date.

v. 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 (2017 – 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.

vi. 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 (2017 – 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.

NOTES TO THE FINANCIAL STATEMENTS

31. BORROWINGS (continued)

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:

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Less than 1 year	**–**	987.3	**–**	987.3
1 - 2 years	**37.5**	472.2	**–**	472.2
2 - 3 years	**608.5**	172.0	**222.2**	–
3 - 4 years	**444.5**	644.0	**222.1**	235.9
4 - 5 years	**–**	491.5	**–**	235.9
More than 5 years	**769.0**	915.0	**–**	–
	1,859.5	3,682.0	**444.3**	1,931.3

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

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	
	2018	**2017**
At beginning of financial year	**2,564.3**	2,396.5
Foreign currency translation differences	**(149.9)**	165.6
Interest expense	**2.3**	2.2
At end of financial year	**2,416.7**	2,564.3

31.5 Trade financing

Unsecured

Trade financing utilised during the financial year is subject to interest rates ranging from 0.826% to 3.380% (2017 – 0.150% to 4.300%) 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 1.81% to 2.61% (2017 – 1.04% to 1.81%) per annum.

31.7 Reconciliation of liabilities from financing activities

Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows are as follows:

In RM million	Group	Company
2018		
At beginning of financial year	**7,343.8**	2,313.6
Cash flows	**(1,734.2)**	(1,051.0)
Non-cash flows		
- Interest expenses	**3.4**	1.0
- Foreign currency translation differences	**(433.7)**	(176.2)
At end of financial year	**5,179.3**	1,087.4

NOTES TO THE FINANCIAL STATEMENTS

32. OTHER NON-CURRENT LIABILITIES

In RM million	Group 2018	Group 2017
Retirement benefits (Note 32.1)	**55.7**	65.6

32.1 Retirement benefits

In RM million	Group 2018	Group 2017
Present value of unfunded obligations	**55.7**	63.0
Present value of funded obligations	**–**	2.6
Recognised liability for defined benefit obligations	**55.7**	65.6

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 previous financial year, the funded defined benefit plan of a foreign subsidiary, which the employer's contributions that were limited to 26.5% wage sum had been ceased. Subsequently, the scheme has been classified as defined contribution pension plan.

The last actuarial valuations for the unfunded plans was carried out on 30 June 2015 and 30 June 2018 and for the funded plans was carried out on 30 June 2017.

Movements in the net liabilities recognised in the statements of financial position:

In RM million	Present value of unfunded obligations	Present value of funded obligations	Total
Group			
2018			
At beginning of financial year	**63.0**	**2.6**	**65.6**
Benefits paid	**(2.3)**	**–**	**(2.3)**
Expense recognised in profit or loss (Note 10(b))	**4.0**	**0.2**	**4.2**
Re-measurements			
- Actuarial gain recognised in other comprehensive income	**0.8**	**–**	**0.8**
Disposal of subsidiaries	**(8.9)**	**(2.4)**	**(11.3)**
Foreign currency translation differences	**(0.9)**	**(0.4)**	**(1.3)**
At end of financial year	**55.7**	**–**	**55.7**

32. OTHER NON-CURRENT LIABILITIES (continued)

32.1 Retirement benefits (continued)

Movements in the net liabilities recognised in the statements of financial position (continued):

In RM million	Present value of unfunded obligations	Present value of funded obligations	Fair value of plan assets	Liability ceiling	Total
Group					
2017					
At beginning of financial year	55.6	659.8	(606.9)	(44.2)	64.3
Benefits paid	(1.7)	(0.2)	–	–	(1.9)
Expense recognised in profit or loss	5.1	0.3	–	–	5.4
Re-measurements					
- Actuarial gain recognised in other comprehensive income	(5.5)	(0.1)	–	–	(5.6)
Termination of funded defined benefit plans	–	(716.1)	667.5	48.6	–
Foreign currency translation differences	9.5	58.9	(60.6)	(4.4)	3.4
At end of financial year	63.0	2.6	–	–	65.6

Expense recognised in profit or loss:

	Group	
In RM million	2018	2017
Current service cost	**2.6**	3.4
Interest cost	**2.1**	2.0
Past service cost	**(0.5)**	–
	4.2	5.4

Liability for defined benefit obligations

Principal actuarial assumptions used at the reporting period (expressed as weighted averages):

	Group	
%	2018	2017
Discount rate	**3.1**	2.1

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	2018	2017
Discount rate increase by 0.1%	**(0.8)**	(0.9)
Discount rate decrease by 0.1%	**1.0**	1.2

NOTES TO THE FINANCIAL STATEMENTS

33. TRADE AND OTHER PAYABLES

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Trade payables (Note 33.1)	**229.7**	856.8	**–**	–
Other payables and accruals (Note 33.2)	**420.4**	532.0	**137.1**	34.0
	650.1	1,388.8	**137.1**	34.0

33.1 Trade payables

Credit terms of trade payables vary from 7 to 60 days (2017 – 7 to 60 days) from date of invoice.

33.2 Other payables and accruals

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Other payables	**196.9**	270.9	**36.5**	1.8
Customer deposits and other deposits	**1.7**	2.2	**–**	–
Accruals	**221.8**	258.9	**100.6**	32.2
	420.4	532.0	**137.1**	34.0

34. OTHER CURRENT LIABILITIES

In RM million	Group 2018	Group 2017
Amounts due to associates (Note 34.1)	**26.7**	25.2
Current tax liabilities	**33.5**	57.7
	60.2	82.9

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.

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 previous 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)

36. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year comprise:

	Group		Company	
In RM million	2018	2017	2018	2017
Short term funds (Note 27)	**1,087.9**	680.4	**–**	–
Deposits with financial institutions (Note 28)	**1,276.0**	156.6	**971.4**	–
Cash and bank balances	**400.7**	685.1	**88.0**	42.6
	2,764.6	1,522.1	**1,059.4**	42.6

The Group has undrawn borrowing facilities of RM6,645.8 million (2017 – RM6,609.0 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, 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 interests.

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	2018	2017
Group		
Associates		
Sales of oleochemical products and palm products	**1,064.1**	717.9
Purchases of oleochemical products and palm products	**57.5**	19.4
Rental income on storage tank	**8.1**	7.3
Interest expense	**1.9**	2.1
Affiliates		
Management fees income	**5.6**	7.5
Agency fees income	**2.6**	2.5
Purchases of palm products	**56.0**	35.2
Rental expenses	**4.7**	3.9
Company		
Subsidiaries		
Sales of palm products	**10.6**	10.0
Purchases of palm products	**4.6**	4.0
Advisory fees income	**58.3**	31.0
Management fees expenses	**7.7**	6.8
Interest income	**43.8**	44.7
Interest expense	**92.8**	90.5

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 2018 is disclosed in Note 17.2, Note 21.3, Note 25 and Note 34.1 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:

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Directors				
Fees	**1.2**	1.1	**1.2**	1.1
Remuneration	**103.6**	31.4	**103.2**	31.0
Estimated monetary value of benefits-in-kind	**0.1**	0.1	**0.1**	0.1
Total short term employee benefits	**104.9**	32.6	**104.5**	32.2
Post employment benefits	**4.2**	3.7	**4.2**	3.7
Share-based payments	**–**	4.0	**–**	3.6
	109.1	40.3	**108.7**	39.5
Other key management personnel				
Short term employee benefits	**5.9**	4.8	**–**	–
Post employment benefits	**0.3**	0.3	**–**	–
Share-based payments	**–**	1.3	**–**	–
	6.2	6.4	**–**	–

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 2017.

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 2018 and 30 June 2017.

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.

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Borrowings (Note 31)	**5,179.3**	7,343.8	**1,087.4**	2,313.6
Less: Cash and cash equivalents (Note 36)	**(2,764.6)**	(1,522.1)	**(1,059.4)**	(42.6)
Net debt	**2,414.7**	5,821.7	**28.0**	2,271.0
Equity	**9,156.3**	7,457.4	**6,986.7**	5,058.2
Gearing ratio (%)	**26.37**	78.07	**0.40**	44.90

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.

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.1 Risk management approach (continued)

The hedging methods that the Group adopts in managing its currency risk depend on the principal forms of foreign currency exposure, as discussed below:

i. Structural foreign currency exposure from its net investment in foreign operations (subsidiaries, associates, and joint ventures)

Background

The Group's foreign operations of various functional currencies when translated into its parent's reporting currency based on closing rates (for assets and liabilities) and average transaction rates (for income and expenses) at consolidation, gives rise to foreign currency translation gain or loss that will be recognised in other comprehensive income. Intragroup transactions with foreign operations involving monetary financial instruments will also result in foreign currency translation gain or loss that cannot be eliminated on consolidation, but has to be recognised either in profit or loss or in other comprehensive income. However, non-monetary financial items translated at historical exchange rates will not give rise to foreign currency risk. Resulting from its net investment in foreign operations, the Group's current and future profit stream in various foreign currencies will also be exposed to foreign currency risk.

Hedging method

Where feasible the Group would match its foreign currency borrowing with the functional currency of its foreign operations. Nevertheless, the Group considers such foreign currencies' overall fiscal position and borrowing costs before deciding on the major currency to be carried as debt in its book. In this regard, the Group has major foreign currency borrowings denominated in USD, EUR and JPY, which do not necessarily match all the functional currencies of its foreign operations. Where appropriate, exposures from mismatch in foreign currency borrowings are hedged with Cross Currency Swap.

ii. Transactional obligations or rights denominated in foreign currency

Background

The majority of the Group's transactional currency risk arises from its foreign currency based forward sales and purchases of commodity items, contracted by its subsidiaries along the palm value chain. These forward commodity contracts for "own use" purposes are non-financial instruments and are generally not recognised in the statements of financial position. However, these non-financial forward contracts denominated in foreign currency are exposed to economic risk due to currency fluctuations. Certain product-streams underlying the forward contracts are net-cash settled or have contract provisions for net-cash settlement, and these are accounted by the Group as financial instruments with fair valuation impact to its financial statements. Regardless of "own use" or fair value through profit or loss, these forward contracts on fulfilment at maturity will result in book receivables or payables in foreign currency.

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.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.1 Risk management approach (continued)

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

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. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

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								
2018								
Financial assets in foreign currencies								
Cash and bank balances	154.5	–	1.7	–	–	–	6.2	–
Deposits with financial institutions	1,000.0	–	–	–	–	–	–	–
Trade and other receivables	319.5	–	53.8	–	14.3	–	67.1	–
Amounts due from associates	–	–	146.3	–	–	–	1.1	–
Derivative assets	476.4	–	1,653.9	–	–	–	–	–
Financial liabilities in foreign currencies								
Trade and other payables	(38.3)	–	(3.2)	–	(0.3)	–	(28.1)	–
Amounts due to associates	(22.7)	–	–	–	–	–	(4.0)	–
Borrowings	(791.0)	(3,316.5)	(103.8)	(209.6)	–	(769.0)	–	–
Derivative liabilities	(78.8)	–	(2,067.4)	–	–	–	–	–
Currency derivatives								
Foreign currency forwards	(1,196.9)	–	(114.8)	–	(27.5)	–	(7.0)	–
Structured and hybrids	–	69.6	–	(847.1)	–	769.0	–	–
Net exposure	(177.3)	(3,246.9)	(433.5)	(1,056.7)	(13.5)	–	35.3	–

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		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		Others	
Maturity	<1 year	> 1 year	<1 year	> 1 year	<1 year	> 1 year
Company						
2018						
Financial assets in foreign currencies						
Cash and bank balances	**62.6**	**–**	**0.8**	**–**	**0.1**	**–**
Deposits with financial institutions	**970.7**	**–**	**–**	**–**	**–**	**–**
Other receivables	**–**	**–**	**24.9**	**–**	**–**	**–**
Amount due from an associate	**–**	**–**	**4.6**	**–**	**–**	**–**
Amounts due from subsidiaries	**11.6**	**677.6**	**0.4**	**–**	**8.1**	**–**
Derivative assets	**–**	**–**	**1,653.9**	**–**	**–**	**–**
Financial liabilities in foreign currencies						
Borrowings	**(643.1)**	**(444.9)**	**–**	**–**	**–**	**–**
Amounts due to subsidiaries	**(14.3)**	**(739.3)**	**–**	**–**	**–**	**–**
Derivative liabilities	**–**	**–**	**(2,067.4)**	**–**	**–**	**–**
Currency derivatives						
Structured and hybrids	**–**	**808.9**	**–**	**(847.1)**	**–**	**–**
Net exposure	**387.5**	**302.3**	**(382.8)**	**(847.1)**	**8.2**	**–**
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	–

NOTES TO THE FINANCIAL STATEMENTS

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 USD0.9 billion (equivalent to RM3.4 billion) (2017 – USD1.3 billion (equivalent to RM5.4 billion)) and in EUR by EUR0.3 billion (equivalent to RM1.5 billion) (2017 – EUR0.3 billion (equivalent to RM1.5 billion)), where USD0.8 billion (equivalent to RM3.2 billion) (2017 – USD0.9 billion (equivalent to RM4.1 billion)) and EUR0.2 billion (equivalent to RM1.1 billion) (2017 – EUR0.2 billion (equivalent to RM1.2 billion)) are due beyond twelve (12) months. These short positions are expected to be met from their future revenue stream mainly denominated in USD and EUR;

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

2018

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.

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.

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.2 Foreign currency risk exposure (continued)

Company

2018

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.

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.

39.1.3 Sensitivity analysis

The Group's exposure to foreign currency risk is 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 RM74.7 million (2017 – RM118.2 million) and RM1.4 million (2017 – 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.

NOTES TO THE FINANCIAL STATEMENTS

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								
2018								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	27	**1,087.9**	–	–	–	–	**1,087.9**	***3.62***
Deposits with financial institutions	28	**1,276.0**	–	–	–	–	**1,276.0**	***2.05***
Amount due from an associate		**4.6**	–	–	–	–	**4.6**	***1.33***
Amount due from a joint venture	21.3	–	**25.7**	**6.3**	–	–	**32.0**	***3.50***
		2,368.5	**25.7**	**6.3**	–	–	**2,400.5**	
Floating rate instruments								
Cash and bank balances		**400.7**	–	–	–	–	**400.7**	***1.27***
		400.7	–	–	–	–	**400.7**	
Total assets repricing		**2,769.2**	**25.7**	**6.3**	–	–	**2,801.2**	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	31.1	–	–	–	–	**769.0**	**769.0**	***5.34***
Notes	31.4	–	–	–	–	**2,416.7**	**2,416.7**	***4.49***
Trade financing	31.5	**251.5**	–	–	–	–	**251.5**	***2.37***
Finance lease obligation	31	**0.2**	**0.2**	**0.2**	**0.2**	**7.7**	**8.5**	***2.00***
Islamic revolving credit financing facilities	31.6	**643.1**	–	–	–	–	**643.1**	***1.78***
		894.8	**0.2**	**0.2**	**0.2**	**3,193.4**	**4,088.8**	
Floating rate instruments								
Amounts due to associates	34	**26.7**	–	–	–	–	**26.7**	***6.48***
Islamic financing facilities	31.2	**1,090.5**	–	–	–	–	**1,090.5**	***2.24***
		1,117.2	–	–	–	–	**1,117.2**	
Total liabilities repricing		**2,012.0**	**0.2**	**0.2**	**0.2**	**3,193.4**	**5,206.0**	
Net repricing gap		**757.2**	**25.5**	**6.1**	**(0.2)**	**(3,193.4)**	**(2,404.8)**	

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								
2017								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	27	680.4	–	–	–	–	680.4	*2.82*
Deposits with financial institutions	28	156.6	–	–	–	–	156.6	*2.91*
Amount due from a joint venture	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 %
Company								
2018								
Interest bearing financial assets								
Fixed rate instruments								
Deposits with financial institutions	28	**971.4**	–	–	–	–	**971.4**	***2.20***
Amounts due from subsidiaries	17.2	**34.0**	–	–	–	**677.6**	**711.6**	***5.35***
Amount due from an associate	25	**4.6**	–	–	–	–	**4.6**	***1.33***
Amount due from a joint venture	21.3	–	**25.7**	**6.3**	–	–	**32.0**	***3.50***
		1,010.0	**25.7**	**6.3**	–	**677.6**	**1,719.6**	
Floating rate instruments								
Cash and bank balances		**88.0**	–	–	–	–	**88.0**	***1.04***
		88.0	–	–	–	–	**88.0**	
Total assets repricing		**1,098.0**	**25.7**	**6.3**	–	**677.6**	**1,807.6**	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	17.2	**257.9**	–	–	–	**1,239.3**	**1,497.2**	***4.61***
Islamic revolving credit financing facilities	31.6	**643.1**	–	–	–	–	**643.1**	***1.78***
		901.0	–	–	–	**1,239.3**	**2,140.3**	
Floating rate instruments								
Islamic financing facilities	31.2	**444.3**	–	–	–	–	**444.3**	***2.52***
		444.3	–	–	–	–	**444.3**	
Total liabilities repricing		**1,345.3**	–	–	–	**1,239.3**	**2,584.6**	
Net repricing gap		**(247.3)**	**25.7**	**6.3**	–	**(561.7)**	**(777.0)**	

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*
Amount due from a joint venture	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)

The interest rate swap contracts of the Group and the Company are as follows:

Group

2018

i. 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.

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.

Company

2018

i. 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.

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.

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 (2017 – RM1.4 million) and RM0.4 million (2017 – RM0.2 million) respectively.

39. FINANCIAL INSTRUMENTS (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

	Contract and Notional value			Fair value attributed to price changes at period closing		
In RM million	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Group						
2018						
Commodity based						
Forward sales contracts	**(584.7)**	**–**	**(584.7)**	**3.1**	**–**	**3.1**
Forward purchase contracts	**278.3**	**–**	**278.3**	**26.6**	**–**	**26.6**
Commodity derivatives	**84.5**	**–**	**84.5**	**(1.7)**	**–**	**(1.7)**
Equity based						
Other investments	**83.4**	**–**	**83.4**	**86.1**	**–**	**86.1**
				114.1	**–**	**114.1**
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
Company						
2018						
Equity based						
Other investments	**4.0**	**–**	**4.0**	**4.4**	**–**	**4.4**
				4.4	**–**	**4.4**
2017						
Equity based						
Other investments	4.0	–	4.0	4.0	–	4.0
				4.0	–	4.0

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 RM10.2 million (2017 – RM26.3 million) and RM0.3 million (2017 – RM0.3 million) respectively.

39. FINANCIAL INSTRUMENTS (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

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					
2018					
Financial assets					
Cash and bank balances		**400.7**	**–**	**400.7**	(i) Fidelity guarantee and cash-in-transit insurance cover; and (ii) Banks' limited guarantee of deposits
Deposits with financial institutions	28	**1,276.0**	**–**	**1,276.0**	
Trade and other receivables, excluded deposits and prepayments		**664.5**	**102.7**	**561.8**	Letter of credit and credit insurance
Other investments	24	**86.1**	**–**	**86.1**	
Short term funds	27	**1,087.9**	**–**	**1,087.9**	
Amounts due from associates	25	**147.4**	**–**	**147.4**	
Amount due from a joint venture	21.3	**32.0**	**–**	**32.0**	
Derivative assets	19	**554.3**	**–**	**554.3**	
		4,248.9	**102.7**	**4,146.2**	
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	28	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	27	680.4	–	680.4	
Amounts due from associates	25	1.4	–	1.4	
Amount due from a joint venture	21.3	31.9	–	31.9	
Derivative assets	19	197.0	–	197.0	
		3,212.2	519.7	2,692.5	

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	Note	Maximum exposure	Collateral and enhancement obtained	Net exposure to credit risk	Collateral or credit enhancement obtained
Company					
2018					
Financial assets					
Cash and bank balances		**88.0**	**–**	**88.0**	
Deposits with financial institutions	28	**971.4**	**–**	**971.4**	
Trade and other receivables, excluded deposits and prepayments		**24.9**	**–**	**24.9**	
Other investments	24	**4.4**	**–**	**4.4**	
Amounts due from subsidiaries	17.2	**711.6**	**–**	**711.6**	
Amount due from an associate	25	**4.6**	**–**	**4.6**	
Amount due from a joint venture	21.3	**32.0**	**–**	**32.0**	
Derivative assets	19	**363.5**	**–**	**363.5**	
		2,200.4	**–**	**2,200.4**	
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	
Amount due from a joint venture	21.3	31.9	–	31.9	
Derivative assets	19	0.7	–	0.7	
		993.5	–	993.5	

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			Renegotiated	Past due but not impaired	Total	Impairment charged in reporting period	Impairment at end of reporting period
	Strong	Medium	Weak					
Group								
2018								
Cash and bank balances	**400.7**	**–**	**–**	**–**	**–**	**400.7**	**–**	**–**
Deposits with financial institutions	**1,276.0**	**–**	**–**	**–**	**–**	**1,276.0**	**–**	**–**
Trade and other receivables, excluded deposits and prepayments	**507.1**	**94.3**	**–**	**–**	**63.1**	**664.5**	**2.3**	**10.8**
Other investments	**86.1**	**–**	**–**	**–**	**–**	**86.1**	**–**	**–**
Short term funds	**1,087.9**	**–**	**–**	**–**	**–**	**1,087.9**	**–**	**–**
Amounts due from associates	**146.9**	**0.5**	**–**	**–**	**–**	**147.4**	**–**	**–**
Amount due from a joint venture	**32.0**	**–**	**–**	**–**	**–**	**32.0**	**–**	**–**
Derivative assets	**554.3**	**–**	**–**	**–**	**–**	**554.3**	**–**	**–**
	4,091.0	**94.8**	**–**	**–**	**63.1**	**4,248.9**	**2.3**	**10.8**
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	–	–
Amount due from a joint venture	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

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	Neither past due nor impaired			Renegotiated	Past due but not impaired	Total	Impairment charged in reporting period	Impairment at end of reporting period
	Strong	Medium	Weak					
Company								
2018								
Cash and bank balances	**88.0**	–	–	–	–	**88.0**	–	–
Deposits with financial institutions	**971.4**	–	–	–	–	**971.4**	–	–
Trade and other receivables, excluded deposits and prepayment	**24.9**	–	–	–	–	**24.9**	–	–
Other investments	**4.4**	–	–	–	–	**4.4**	–	–
Amounts due from subsidiaries	**711.6**	–	–	–	–	**711.6**	**4.2**	**5.7**
Amount due from an associate	**4.6**	–	–	–	–	**4.6**		
Amount due from a joint venture	**32.0**	–	–	–	–	**32.0**	–	–
Derivative assets	**363.5**	–	–	–	–	**363.5**	–	–
	2,200.4	–	–	–	–	**2,200.4**	**4.2**	**5.7**
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
Amount due from a joint venture	31.9	–	–	–	–	31.9	–	–
Derivative assets	0.7	–	–	–	–	0.7	–	–
	993.5	–	–	–	–	993.5	–	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 96% 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.

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						Estimated fair values of collateral and credit enhancement held
	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	>120 days	Total	
Group							
2018							
Trade receivables	**53.1**	**0.8**	**1.4**	**–**	**–**	**55.3**	**2.8**
Other receivables	**7.6**	**–**	**–**	**–**	**0.2**	**7.8**	**–**
	60.7	**0.8**	**1.4**	**–**	**0.2**	**63.1**	**2.8**
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

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.

NOTES TO THE FINANCIAL STATEMENTS

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								
2018								
Malaysia	**6.7**	**10**	**92.0**	**17**	**61.4**	**100**	**160.1**	**24**
Europe	**–**	**–**	**143.5**	**27**	**–**	**–**	**143.5**	**22**
Asia (excluding Malaysia)	**63.7**	**90**	**186.8**	**35**	**–**	**–**	**250.5**	**38**
Others	**–**	**–**	**110.4**	**21**	**–**	**–**	**110.4**	**16**
	70.4	**100**	**532.7**	**100**	**61.4**	**100**	**664.5**	**100**
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

	Company			
	2018		2017	
In RM million	Amount	%	Amount	%
Malaysia	**38.7**	**5**	26.6	3
Asia (excluding Malaysia)	**697.4**	**95**	519.0	57
Central and Eastern Europe	**0.4**	**–**	368.7	40
	736.5	**100**	914.3	100

39. FINANCIAL INSTRUMENTS (continued)

39.5 Liquity 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.

NOTES TO THE FINANCIAL STATEMENTS

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						
2018						
Financial liabilities						
Trade and other payables	**554.7**	**–**	**–**	**–**	**–**	**554.7**
Borrowings	**1,074.9**	**202.7**	**770.1**	**599.0**	**3,707.3**	**6,354.0**
Amounts due to associates	**28.6**	**–**	**–**	**–**	**–**	**28.6**
Derivative liabilities - net settlement	**213.3**	**–**	**–**	**53.6**	**–**	**266.9**
	1,871.5	**202.7**	**770.1**	**652.6**	**3,707.3**	**7,204.2**
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
Company						
2018						
Financial liabilities						
Other payables	**136.5**	**–**	**–**	**–**	**–**	**136.5**
Borrowings	**666.5**	**12.0**	**234.5**	**232.6**	**–**	**1,145.6**
Amounts due to subsidiaries	**324.8**	**37.2**	**37.2**	**37.2**	**1,792.5**	**2,228.9**
Derivative liabilities - net settlement	**174.4**	**–**	**–**	**53.6**	**–**	**228.0**
	1,302.2	**49.2**	**271.7**	**323.4**	**1,792.5**	**3,739.0**
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

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				
2018				
Derivatives				
Forward foreign exchange contracts	–	(18.4)	–	(18.4)
Commodity forward contracts	–	29.7	–	29.7
Commodity futures	(1.7)	–	–	(1.7)
Cross currency swap contract	–	88.7	–	88.7
Interest rate swap contracts	–	13.1	–	13.1
Put option	–	–	350.4	350.4
Call option	–	–	(174.4)	(174.4)
Equity based				
Other investments	77.8	–	8.3	86.1
Short term funds	1,087.9	–	–	1,087.9
	1,164.0	113.1	184.3	1,461.4

NOTES TO THE FINANCIAL STATEMENTS

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				
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 contract	–	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

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				
2018				
Derivatives				
Cross currency swap contracts	**–**	**(53.6)**	**–**	**(53.6)**
Interest rate swap contracts	**–**	**13.1**	**–**	**13.1**
Put option	**–**	**–**	**350.4**	**350.4**
Call option	**–**	**–**	**(174.4)**	**(174.4)**
Equity based				
Other investments	**4.4**	**–**	**–**	**4.4**
	4.4	**(40.5)**	**176.0**	**139.9**

39. FINANCIAL INSTRUMENTS (continued)

39.6 Fair values (continued)

Fair value hierarchy (continued)

In RM million	Fair value of financial instruments carried at fair value — Hierarchy of the underlying variable input used in measuring fair valuation Level 1	Level 2	Level 3	Total
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)

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

The fair value measurement in Level 3 is based on the Group's share of net assets of the investees. There are no alternative assumptions that would result in changes in the amount determined and the management believes that its estimates of fair value are appropriate.

Reconciliation of fair value measurements of Level 3 financial instruments

	Group		Company	
In RM million	2018	2017	2018	2017
Financial assets/liabilities designated at fair value through profit or loss				
At beginning of financial year	**7.8**	7.4	**–**	–
Net fair value (loss)/gain recognised in profit or loss	**(6.3)**	0.4	**(6.8)**	–
Recognition of fair value of put and call options	**182.8**	–	**182.8**	–
At end of financial year	**184.3**	7.8	**176.0**	–

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL INSTRUMENTS (continued)

39.6 Fair values (continued)

Fair value hierarchy (continued)

The carrying amounts of financial assets and financial liabilities, which are not carried at fair values, would approximate their fair values as at the end of the financial year. This is due to the relatively short term nature of the financial instruments or there is no significant difference between the historical interest rate at the point when liabilities were undertaken and the current prevailing market interest rate.

The following methods and assumptions were used to estimate the fair values of financial instruments:

i. The carrying amounts of financial assets and 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. However, the carrying amounts of unquoted investments are immaterial to the Group.

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 other than put and call options 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.

v. The fair values of put and call options are the differences between the strike prices and the underlying prices. The Group has adopted the Binomial option pricing model in deriving the fair values of the put and call options. The key assumptions in estimating the fair values include expected underlying share price of Loders, expected exercise prices, risk free interest rate, expected dividend yield and expected volatility.

   If the risk-free interest rate increase or decrease by 50 basis points, profit or loss of the Group and of the Company would have equally decreased or increased by approximately RM21.7 million and RM22.5 million respectively. If the expected volatility increase or decrease by 100 basis points, profit or loss of the Group and of the Company would have equally decreased or increased by approximately RM1.2 million and RM1.1 million respectively.

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					
2018					
Financial assets					
Trade and other receivables, net of deposits and prepayments	**664.5**	**–**	**–**	**–**	**664.5**
Amounts due from associates	**147.4**	**–**	**–**	**–**	**147.4**
Amount due from a joint venture	**32.0**	**–**	**–**	**–**	**32.0**
Derivative assets	**–**	**554.3**	**–**	**–**	**554.3**
Other investments	**–**	**86.1**	**–**	**–**	**86.1**
Short term funds	**–**	**1,087.9**	**–**	**–**	**1,087.9**
Deposits with financial institutions	**1,276.0**	**–**	**–**	**–**	**1,276.0**
Cash and bank balances	**400.7**	**–**	**–**	**–**	**400.7**
	2,520.6	**1,728.3**	**–**	**–**	**4,248.9**
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
Amount due from a joint venture	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

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			
2018			
Financial liabilities			
Borrowings	**5,179.3**	**–**	**5,179.3**
Trade and other payables	**554.7**	**–**	**554.7**
Amounts due to associates	**26.7**	**–**	**26.7**
Derivative liabilities	**–**	**266.9**	**266.9**
	5,760.7	**266.9**	**6,027.6**
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

In RM million	Loan and receivables	Fair value through profit or loss	Available for sale	Held to maturity	Total
Company					
2018					
Financial assets					
Trade and other receivable, net of deposits and prepayments	**24.9**	**–**	**–**	**–**	**24.9**
Amounts due from subsidiaries	**711.6**	**–**	**–**	**–**	**711.6**
Amount due from an associate	**4.6**	**–**	**–**	**–**	**4.6**
Amount due from a joint venture	**32.0**	**–**	**–**	**–**	**32.0**
Derivative assets	**–**	**363.5**	**–**	**–**	**363.5**
Other investments	**–**	**4.4**	**–**	**–**	**4.4**
Deposits with financial institutions	**971.4**	**–**	**–**	**–**	**971.4**
Cash and bank balances	**88.0**	**–**	**–**	**–**	**88.0**
	1,832.5	**367.9**	**–**	**–**	**2,200.4**
2017					
Financial assets					
Amounts due from subsidiaries	914.3	–	–	–	914.3
Amount due from a joint venture	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

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			
2018			
Financial liabilities			
Borrowings	**1,087.4**	**–**	**1,087.4**
Other payables	**136.5**	**–**	**136.5**
Amounts due to subsidiaries	**1,497.2**	**–**	**1,497.2**
Derivative liabilities	**–**	**228.0**	**228.0**
	2,721.1	**228.0**	**2,949.1**
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

NOTES TO THE FINANCIAL STATEMENTS

40. COMMITMENTS

40.1 Capital Commitments

In RM million	Group 2018	Group 2017	Company 2018	Company 2017
Authorised capital expenditure not provided for in the financial statements				
Additions of property, plant and equipment				
- Contracted	**109.2**	142.9	**–**	–
- Not contracted	**331.0**	272.0	**0.1**	0.1

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 a piece of land for a lease period of fifteen (15) years, which cover a net area of 8,615 square meters for bulking installation; and

ii. lease of a piece of land for a lease period of twenty-two (22) years, which cover a net area of 13,351 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:

In RM million	Group 2018	Group 2017
Not later than 1 year	**3.3**	38.1
Later than 1 year and not later than 5 years	**7.8**	62.7
Later than 5 years	**2.3**	3.2
	13.4	104.0

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 EVENTS DURING THE FINANCIAL YEAR

On 1 March 2018, the Company disposed of 70% of its equity interest held in Loders Croklaan Group B.V. (“Loders”), a wholly owned subsidiary of the Company for a preliminary disposal consideration of USD595.0 million plus EUR303.4 million (“Disposal”). The preliminary disposal consideration was subject to adjustments, which would be determined at a later date in accordance with the terms of the sale and purchase agreement.

Prior to the Disposal, the Company has completed an internal restructuring exercise, which involved Loders acquiring all of the Company’s equity interest in IOI Lipid Enzymtec Sdn Bhd and IOI Edible Oils (HK) Limited.

Following the completion of the Disposal, the Company continues to hold a 30% equity interest in Loders, and will play an important role in contributing to the future growth of Loders, both through representation on the managing board of Loders and as a major palm oil supplier.

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 2018	Effective Group Interest 2017	Principal Activities
Continuing Operations			
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

NOTES TO THE FINANCIAL STATEMENTS

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	Effective Group Interest 2017	Principal Activities
Continuing Operations (continued)			
Direct Subsidiaries (continued)			
Plantation (continued)			
Palmco Plantations (Sabah) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Palmco Properties Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Permodalan Plantations Sdn Bhd	**70.0%**	70.0%	Cultivation of oil palm
PR Enterprise Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
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 2018	2017	Principal Activities
Continuing Operations (continued)			
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 Oleochemical Industries Berhad*	**100.0%**	100.0%	Investment holding
IOI Loders Croklaan Procurement Company Sdn Bhd	**100.0%**	100.0%	Dormant
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
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
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

NOTES TO THE FINANCIAL STATEMENTS

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	Effective Group Interest 2017	Principal Activities
Continuing Operations (continued)			
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			
Sri Vagas Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Ladang Tebu Batu Putih Sdn Bhd	**100.0%**	100.0%	Dormant
Luminous Aspect Sdn Bhd	**100.0%**	100.0%	Dormant
Priceland Plantation Sdn Bhd	**100.0%**	100.0%	Dormant
Sayang Segama Sdn Bhd	**100.0%**	100.0%	Dormant
Sri 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

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	Effective Group Interest 2017	Principal Activities
Continuing Operations (continued)			
Indirect Subsidiaries (continued)			
Plantation (continued)			
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
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%**	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

NOTES TO THE FINANCIAL STATEMENTS

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	Effective Group Interest 2017	Principal Activities
Continuing Operations (continued)			
Indirect Subsidiaries (continued)			
Plantation (continued)			
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
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 *(In the progress of striking off under Section 550 of the Companies Act 2016)*	**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%	Investment holding

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	2017	Principal Activities
Continuing Operations (continued)			
Indirect Subsidiaries (continued)			
Resource-based Manufacturing (continued)			
Subsidiaries of IOI Oleochemical Industries Berhad (continued)			
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
Subsidiaries of IOI Acidchem Sdn Bhd			
IOI Oleo GmbH* *(Incorporated in Germany)*	**100.0%**	100.0%	Manufacture and sale of oleochemical specialty products
Acidchem (USA) Inc* *(Incorporated in United States of America)*	**100.0%**	100.0%	Trading in fatty acids and glycerine
IOI Oleo (Europe) ApS* *(Incorporated in Denmark)*	**100.0%**	100.0%	Carrying out registration of oleochemical products of European Union registration, trading and distribution of oleochemical products
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
Care Security Services Sdn Bhd* *(Struck-off under Section 550 of the Companies Act 2016 and did not have any material effect to the results)*	**–**	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

NOTES TO THE FINANCIAL STATEMENTS

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	2017	Principal Activities
Continuing Operations (continued)			
Indirect Subsidiaries (continued)			
Non-Segment (continued)			
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
Discontinued Operations^			
Direct Subsidiaries			
IOI Lipid Enzymtec Sdn Bhd*	**–**	100.0%	Manufacturing of specialty fats by applying enzyme technology
Loders Croklaan Group B.V.* *(Incorporated in The Netherlands)*	**–**	100.0%	Investment holding
IOI Edible Oils (HK) Limited* *(Incorporated in Hong Kong)*	**–**	100.0%	Investment holding
Indirect Subsidiaries			
Subsidiary of IOI Edible Oils (HK) Limited			
IOI (Xiamen) Edible Oils Co., Ltd* *(Incorporated in the People's Republic of China)*	**–**	100.0%	Pre-operating
Subsidiaries of Loders Croklaan Group B.V.			
IOI-Loders Croklaan Oils B.V.* *(Incorporated in The Netherlands)*	**–**	100.0%	Palm oil refinery

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	2017	Principal Activities
Discontinued Operations^ (continued)			
Indirect Subsidiaries (continued)			
Subsidiaries of Loders Croklaan Group B.V. (continued)			
IOI Loders Croklaan Oils Sdn Bhd*	–	100.0%	Refining and sale of palm oil and related products
Loders Croklaan B.V.* *(Incorporated in The Netherlands)*	–	100.0%	Manufacturing of specialty oils and fats
Loders Croklaan Burkina Faso S.A.R.L.* *(Incorporated in the West Africa)*	–	100.0%	Wholesale procurement and trading of agricultural products particularly shea nuts and shea butter
Loders Croklaan Canada Inc.* *(Incorporated in Canada)*	–	100.0%	Manufacturing of specialty oils and fats
Loders Croklaan For Oils S.A.E.* *(Incorporated in Egypt)*	–	100.0%	Production of emulsified raw materials and semi finished goods on oils and fats
Loders Croklaan Ghana Limited* *(Incorporated in Ghana)*	–	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%	Commission-based agent for the import of specialty fats for the food industry
Loders Croklaan (Shanghai) Trading Co. Ltd* *(Incorporated in the People's Republic of China)*	–	100.0%	Trading of specialty oils and fats products
LCK Nutrition Limited* *(Incorporated in the Republic of Ireland)* *(In liquidation)*	–	100.0%	Sales, marketing, development and distribution of nutrition lipid betapol business
Loders Croklaan USA B.V.* *(Incorporated in The Netherlands)*	–	100.0%	Investment holding
Loders Croklaan Nutrition B.V.* *(Incorporated in The Netherlands)*	–	100.0%	To be sales, marketing, development and distribution of nutrition lipid Betapol business
IOI Loders Croklaan Industries Limited* *(Incorporated in Ghana)*	–	100.0%	Procurement and development of raw material for specialty fats application (Shea)
Loders Croklaan Malaysia Sdn Bhd*	–	100.0%	Dormant

NOTES TO THE FINANCIAL STATEMENTS

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	Effective Group Interest 2017	Principal Activities
Discontinued Operations^ (continued)			
Indirect Subsidiaries (continued)			
Subsidiary of Loders Croklaan USA B.V.			
Loders Croklaan USA LLC* *(Incorporated in United States of America)*	–	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%	Trading of specialty fats
Loders Croklaan for Trading & Distribution LLC* *(Incorporated in Egypt)* *(In liquidation)*	–	100.0%	Dormant
Subsidiary of IOI Loders Croklaan Oils Sdn Bhd			
Loders Croklaan (Asia) Sdn Bhd*	–	100.0%	Dormant

Notes:

* *Not audited by BDO and member firms of BDO International.*

\# *Audited by member firms of BDO International.*

^ *Disposed during the financial year as disclosed in Note 12 to the financial statements.*

42. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Name of Company	Effective Group Interest 2018	Effective Group Interest 2017	Principal Activities
Continuing Operations			
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)*	**32.0%**	31.8%	Investment holding
Resource-based Manufacturing**			
Bunge Loders Croklaan Group B.V. *(Formerly known as Loders Croklaan Group B.V.)* *(Incorporated in The Netherlands)*	**30.0%**	–	Investment holding
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
Discontinued Operations^			
Joint Ventures			
IOI Loders Croklaan SC B.V. *(Incorporated in The Netherlands)*	**–**	50.0%	Dormant

Notes:

*** This relates to the remaining 30% equity interest held after the divestment of 70% equity interest as disclosed in Note 12 to the financial statements.*

^ Disposed during the financial year as disclosed in Note 12 to the financial statements.

43. AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2018 were authorised for issue by the Board of Directors on 12 September 2018.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 105 to 217 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 2018 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

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
12 September 2018

STATUTORY DECLARATION

I, Lee Tuan Meng (CA 7027) 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 105 to 217 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	)	**Lee Tuan Meng**
at Puchong, Selangor Darul Ehsan	)	
this 12 September 2018	)	

Before me

Ng Chan Heng
Commissioner for Oaths
No. B526

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 2018 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 105 to 217.

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 2018, 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 financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(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 goodwill of RM126.5 million and RM209.4 million respectively as disclosed in Note 16.1 to the financial statements.

The Group impaired goodwill of RM2.0 million in respect of a non-performing subsidiary within the plantation segment during the financial year. There was no impairment loss on the remaining amounts of goodwill.

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. 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF IOI CORPORATION BERHAD
(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (continued)

(a) Impairment assessment of the carrying amounts of goodwill (continued)

Our audit procedures included the following:

(i) compared short-term cash flow projections against recent performance, and assessed and challenged the key assumptions in projections to available external industry sources of data, where applicable;

(ii) compared prior period projections to actual outcomes to assess reliability of management forecasting process;

(iii) verified projected profit margins and growth rates to support the key assumptions in projections;

(iv) verified pre-tax discount rate used by management for each CGU to the weighted average cost of capital of the Group and its relevant risk factors; and

(v) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

(b) Accounting for derivative financial instruments

The Group and the Company 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 their risks associated with foreign currency, commodity price fluctuations and interest rates, as set out in Note 19 to the financial statements. In addition, the Group and the Company have put and call options attached to the divestment of Loders Croklaan Group B.V. ("Loders") as further disclosed in Note 19(v) to the financial statements.

As at 30 June 2018, the total derivative financial instruments of the Group and of the Company that were carried at fair value comprised financial assets of RM554.3 million and RM363.5 million and financial liabilities of RM266.9 million and RM228.0 million respectively.

The determination of the fair values of the derivative financial instruments involves significant judgments and is subject to estimation uncertainty as subjective variables need to be used in order to derive the fair values. The Group has also adopted the Binomial option pricing model in deriving the fair values of the put and call options and the key assumptions in estimating the fair values include expected underlying share price of Loders, expected exercise prices, expected dividend yield and expected volatility, as well as determining an appropriate risk-free interest rate.

Our audit procedures included the following:

<u>Valuation of derivative financial instruments other than put and call options</u>

(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) assessed process of management in deriving fair value of derivative financial instruments and compared and challenged 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.

KEY AUDIT MATTERS (continued)

(b) Accounting for derivative financial instruments (continued)

Our audit procedures included the following (continued):

Valuation of put and call options

(i) read and discussed with management on the contractual terms of the Shareholders' Agreement entered into by the Company and Koninklijke Bunge B.V. to gain an understanding of the features of put and call options;

(ii) evaluated the appropriateness of the Binomial option pricing model adopted by the management in deriving the fair values of put and call options;

(iii) obtained computations of management in deriving fair values of put and call options and compared and challenged the key inputs used in the Binomial option pricing model against observable market data, where applicable; and

(iv) re-computed the fair values of the put and call options based on the above inputs as at the date of disposal and as at the end of the reporting period.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF IOI CORPORATION BERHAD
(INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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.

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 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
02011/12/2019 J
Chartered Accountant

Kuala Lumpur
12 September 2018

GROUP PROPERTIES

A. PLANTATION ESTATES

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Year of Acquisition	Net Carrying Amount as at 30 June 2018 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	128.2
Mekassar Estate, Pekan Rompin	Leasehold expiring 2075	1,209	OP	–	1985	63.5
Detas Estate, Pekan	Leasehold expiring 2081	2,226	OP	–	1989	137.0
Bukit Leelau Estate, Pekan	Leasehold expiring 2088	2,096	OP	1	1989	123.6
Merchong Estate, Pekan	Leasehold expiring 2075	1,934	OP	–	1990	101.1
Leepang A Estate, Rompin	Leasehold expiring 2067	2,402	OP	–	2000	112.7
Laukin A Estate, Rompin	Leasehold expiring 2067	1,620	OP	–	2000	75.4
Shahzan IOI Estate 1, Rompin	Leasehold expiring 2062	1,562	OP	–	2002	68.4
Shahzan IOI Estate 2, Rompin	Leasehold expiring 2062	1,640	OP	–	2002	54.1
Negeri Sembilan Darul Khusus						
Regent Estate, Tampin	Freehold	2,300	OP	–	1990	160.4
Bahau Estate, Kuala Pilah	Freehold	2,553	OP	–	1990	175.0
Kuala Jelei Estate, Kuala Pilah	Freehold	679	OP	–	1990	45.4
Johor Darul Takzim						
Gomali Estate, Segamat	Freehold	2,556	OP R	1	1990	188.8
Paya Lang Estate, Segamat	Freehold	2,446	OP R	–	1990	170.2
Tambang Estate, Segamat	Freehold	2,011	OP	–	1990	139.6
Bukit Serampang Estate, Tangkak	Freehold	2,564	OP	–	1990	171.7
Kahang Estate, Kluang	Leasehold expiring 2082	2,420	OP	–	1990	114.3
Sagil Estate, Tangkak	Freehold	2,539	OP	–	1990	177.6
Segamat Estate, Segamat	Freehold	1,340	OP	–	1990	93.9
Pamol Plantations Estate, Kluang	Freehold	8,109	OP	1	2003	593.8
Sabah						
Morisem 1 Estate, Kinabatangan	Leasehold expiring 2080	2,032	OP	–	1993	50.1
Morisem 2 Estate, Kinabatangan	Leasehold expiring 2038, 2087, 2090	2,042	OP	–	1993-2009	63.1
Morisem 3 Estate, Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	–	1993	49.8
Morisem 4 Estate, Kinabatangan	Leasehold expiring 2089	2,023	OP	–	1993	50.1
Morisem 5 Estate, Kinabatangan	Leasehold expiring 2078	1,878	OP	–	1993	39.6
Baturong 1-3 Estates, Kunak	Leasehold expiring 2081	7,485	OP	1	1991	242.6

GROUP PROPERTIES

A. PLANTATION ESTATES (continued)

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Year of Acquisition	Net Carrying Amount as at 30 June 2018 RM million
Sabah (continued)						
Halusah Estate, Lahad Datu	Leasehold expiring 2076, 2078	813	OP	–	1991	20.5
Syarimo 1-9 Estates, Kinabatangan	Leasehold expiring 2035, 2077-2097, 2963-2990	18,417	OP	1	1985-2000	515.4
Permodalan Estate, Kinabatangan	Leasehold expiring 2078	8,094	OP	–	1995	137.9
Laukin Estate, Sugut	Leasehold expiring 2077	2,128	OP	–	1996	56.0
Sakilan Estate, Sandakan	Leasehold expiring 2887	2,296	OP	1	1996	96.4
Ladang Sabah Estates, Labuk-Sugut	Leasehold expiring 2077, 2082, 2087, 2089	12,194	OP	1	1998-2003	370.0
Cantawan Estate, Lahad Datu	Leasehold expiring 2061, 2066, 2078-2080	1,452	OP	–	1998	37.0
Tas Estate, Kinabatangan	Leasehold expiring 2077	1,209	OP	–	1998	28.3
Tangkulap Estate, Labuk-Sugut	Leasehold expiring 2080-2086	2,277	OP	–	2001	126.8
Bimbingan Estate, Labuk-Sugut	Leasehold expiring 2083	3,893	OP	–	2001	149.1
Pamol Plantations, Labuk-Sugut	Leasehold expiring 2037, 2081, 2097	1,792	OP	–	2003-2007	51.6
Pamol Estates, Labuk-Sugut	Leasehold expiring 2888	8,186	OP	1	2003	380.7
Milik Berganda Estate, Labuk-Sugut	Leasehold expiring 2090	5,278	OP	–	2003	146.3
Linbar 1-2 Estates, Kinabatangan	Leasehold expiring 2081	4,840	OP	–	2003	166.1
Mayvin 1-2 Estates, Labuk-Sugut	Leasehold expiring 2079-2081, 2090, 2092	3,423	OP	1	2003	113.6
Mayvin 5-6 Estates, Kinabatangan	Leasehold expiring 2082	3,602	OP	–	2003	108.2
Leepang 1-5 Estates, Kinabatangan	Leasehold expiring 2030-2039, 2078-2102	10,031	OP	2	2003-2009	224.0
Unico 1-5 Estates, Kinabatangan	Leasehold expiring 2081-2101	11,396	OP	1	2013	563.3
Unico 6 Estate, Lahad Datu	Leasehold expiring 2074, 2077-2079	2,264	OP	1	2013	151.3
Sarawak						
Sejap Estate, Baram	Leasehold expiring 2058	4,960	OP	–	2002	21.6
Tegai Estate, Baram	Leasehold expiring 2067, 2095	4,038	OP	–	2002	5.5

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 2018 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	23	6.8

C. INDUSTRIAL PROPERTIES

Location	Tenure	Land Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2018 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	21	1995	85.4
Lorong Perusahaan Satu Prai Industrial Complex 13600 Prai Penang	Leasehold expiring between 2035-2071	180,263 sq m	Offices and factory sites Factory site	39 3-17	2001	65.0 33.1
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai Penang	Leasehold expiring 2025	13,351 sq m	Bulk cargo terminal	44	2001	0.2
Deep Water Wharves 12100 Butterworth Penang	Leasehold expiring 2030	8,615 sq m	Bulking installation	44	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	5.9 hectares	Factory complex and vacant industrial land	28-37	2007	18.5
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	31	2007	17.0

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 2018 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	29	2001	–
Dusun Arang-Arang Air Hitam Hulu Kecamatan Kendawangan Kabupaten Ketapang Kalimantan Barat, Indonesia	*	122,444 sq m	Palm oil mill	4	^	31.5
Zur Hafenspitze 15 19322 Wittenberge Germany	Freehold	60,000 sq m	Factory complex	17	2016	10.3
Arthur-Imhausen-Strasse 92 D-58453 Witten Germany	Perpectual lease	24,000 sq m	Factory complex	27	2016	37.3

Notes:

* *Yet to be determined*

^ *Self constructed and completed in year 2015*

D. OTHER PROPERTIES

Location	Tenure	Land/Built Up Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2018 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
Geran 1341, Lot 12040 Mukim of Tangkak Johor Darul Takzim	Freehold	2 hectares	Vacant land	–	1998	0.1
Country lease 115325534 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2914	2 hectares	Vacant land	–	1993	0.1
Country lease 115325543, 116179269 New Wharf Road Lahad Datu Sabah	Leasehold expiring 2058, 2914	5 hectares	Vacant land	–	1993	0.1

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 2018 RM million
Country lease 115310926 Jalan Segama Lahad Datu Sabah	Leasehold expiring 2932	1 hectare	Regional office	17	1993	–
Country lease 075349343, 075349352 Lot 34, Phase 7A Northern Ring Road Sandakan Sabah	Leasehold expiring 2882	417 sq m	3 storey shop/office	4	2015	1.3
302-H, Jalan Relau Desaria, 11900 Sg Ara Penang	Freehold	167 sq m	Shoplot	23	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-Ninth Annual General Meeting ("**49th AGM**") of the Company will be held at Millennium Ballroom 1 (Level 1), Le Meridien Putrajaya, Lebuh IRC, IOI Resort City, 62502 Putrajaya, Malaysia on Friday, 26 October 2018 at 10:00 am for the following purposes:

AGENDA

1 To receive the Audited Financial Statements for the financial year ended 30 June 2018 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) Dato' Lee Yeow Chor **Resolution 1**

(ii) Datuk Karownakaran @ Karunakaran a/l Ramasamy **Resolution 2**

(iii) Mr Cheah Tek Kuang **Resolution 3**

(Please refer to Note B)

3 To approve Directors' fees (exclusive of Board Committees' fees) of RM1,170,000 for the financial year ending 30 June 2019, Audit and Risk Management Committee ("**ARMC**") fees comprising RM50,000 payable to the ARMC Chairman and RM35,000 payable to each ARMC member and Governance, Nominating and Remuneration Committee ("**GNRC**") fees comprising RM30,000 payable to the GNRC Chairman and RM20,000 payable to each GNRC member, with payment of all the fees to be made quarterly in arrears at the end of each calendar quarter. **Resolution 4**

(Please refer to Note C)

4 To approve the payment of Directors' benefits (other than Directors' fees) of up to RM350,000 for the period from 26 October 2018 until the next Annual General Meeting. **Resolution 5**

(Please refer to Note C)

5 To re-appoint Messrs BDO, the retiring auditors for the financial year ending 30 June 2019 and to authorise the Audit and Risk Management Committee to fix their remuneration. **Resolution 6**

(Please refer to Note D)

6 As special business, to consider and if thought fit, to pass the following Resolutions:

6.1 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 7**

6.2 Proposed Renewal of Existing Share Buy-Back Authority

"THAT subject to compliance with applicable laws, regulations and the approval of all relevant authorities, approval be and is hereby given to the Company to utilise up to the aggregate of the Company's latest audited retained earnings, 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 8**

6.3 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

"THAT subject always to the provisions of the Companies Act 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 27 September 2018 ("**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

NOTICE OF ANNUAL GENERAL MEETING

(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 9**

7 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
27 September 2018

Notes

1 All the above resolutions are proposed as ordinary resolutions. For any of the ordinary resolutions listed above to be passed at the 49th AGM, more than half the votes cast must be in favour of the resolutions.

Voting on all resolutions to be proposed at the 49th 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 49th AGM or any adjournment thereof.

8 Only shareholders whose names appear in the Record of Depositors and Register of Members as at **19 October 2018** shall be eligible to attend the 49th 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 49th AGM (including any adjournment thereof).

11 **Note A – To receive Audited Financial Statements for the financial year ended 30 June 2018**

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 2018 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 2018 Annual Report at IOI Corporation Berhad's ("**IOI Corp**") 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 IOI Corp's auditors, Messrs BDO ("**BDO**"), questions relevant to audit matters, including the Auditors' Report.

12 **Note B – To re-elect Directors**

Dato' Lee Yeow Chor, Datuk Karownakaran @ Karunakaran a/l Ramasamy and Mr Cheah Tek Kuang, who shall retire in accordance with Article 101 of the Company's Constitution, are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 49th 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 to 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 be 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.

Each of the Directors standing for re-election has undergone a performance evaluation and has demonstrated that he remains committed to the role and continues to be an effective and valuable member of the Board. The Board has also conducted assessment on the independence of the Independent Directors who are seeking for re-election 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's 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 53 of the 2018 Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

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, as well as the recommendation from the independent consultant who has carried out the review of Directors' remuneration in FY2018. The payment of Directors' fees (inclusive of Board Committees' fees) for the financial year ending 30 June 2019 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 have been evaluated by the Audit and Risk Management Committee ("**ARMC**"), which included an assessment of the Auditors' independence and objectivity, which has recommended to the Board that BDO be re-appointed and its remuneration be determined by the ARMC. The representatives of BDO will be present at the 49th 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 7 is to seek a renewal of the general mandate which was approved at the 48th AGM of the Company held on 30 October 2017 and which will lapse at the conclusion of the forthcoming 49th AGM to be held on 26 October 2018.

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 7, to allot and issue shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company did not issue any new shares pursuant to Section 76 of the Act under the general mandate which was approved at the 48th AGM of the Company.

The Directors currently have no intention of issuing new shares, or of granting rights to subscribe for or to convert any security into shares, except in connection with the Company's executive share option scheme.

ii Proposed Renewal of Existing Share Buy-Back Authority

Ordinary Resolution 8 is to seek a renewal of the authority granted at the 48th AGM of the Company held on 30 October 2017 and which will lapse at the conclusion of the forthcoming 49th AGM to be held on 26 October 2018. The resolution authorises the Company to make market purchases of its own ordinary shares as permitted by the Act.

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 assets 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 did not re-purchase any ordinary shares during the FY2018.

Please refer to explanatory information in the Share Buy-Back Statement dated 27 September 2018.

iii Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 9 is to seek approval from the shareholders for renewal of the shareholders' mandate granted by the shareholders of the Company at the 48th AGM held on 30 October 2017. 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 49th AGM of the Company.

The details of the proposal are set out in the Circular to Shareholders dated 27 September 2018.

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 49th AGM of the Company.

(ii) Directors standing for re-election

The Directors retiring by rotation and standing for re-election pursuant to Article 101 of the Constitution of the Company are as follows:

- Dato' Lee Yeow Chor
- Datuk Karownakaran @ Karunakaran a/l Ramasamy
- Mr Cheah Tek Kuang

The profiles of the above-named Directors are set out in the section entitled "Profile of Directors" on pages 50 to 53 of the 2018 Annual Report.

Their shareholdings in the Company and its related corporations are set out in the section entitled "Statement of Directors' Interests" on page 91 of the 2018 Annual Report.

SHAREHOLDERS' INFORMATION
AS AT 30 AUGUST 2018

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	:	22,561

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of holders	Total holdings	%
1 – 99	3,171	28,995	0.00
100 – 1,000	4,362	3,296,174	0.05
1,001 – 10,000	10,852	42,048,540	0.67
10,001 – 100,000	3,357	90,751,982	1.44
100,001 – 314,221,198	815	2,602,338,051	41.41
314,221,199 and above	4	3,545,960,253	56.43
Total	**22,561**	**6,284,423,995**	**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	1,382,166,880	21.99
2.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	771,306,873	12.27
3.	Vertical Capacity Sdn Bhd	750,153,600	11.94
4.	Vertical Capacity Sdn Bhd	642,332,900	10.22
5.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera*	295,545,000	4.70
6.	Kumpulan Wang Persaraan (Diperbadankan)	188,112,900	2.99
7.	Annhow Holdings Sdn Bhd	123,372,300	1.96
8.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia*	96,567,600	1.54
9.	AmanahRaya Trustees Berhad *Amanah Saham Wawasan 2020*	89,007,067	1.42
10.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – AmBank Islamic Berhad for Vertical Capacity Sdn Bhd*	89,000,000	1.42
11.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Vertical Capacity Sdn Bhd*	70,000,000	1.11
12.	HSBC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Vertical Capacity Sdn Bhd*	62,000,000	0.99

LIST OF TOP 30 SHAREHOLDERS (continued)
(without aggregating securities from different securities accounts belonging to the same person)

Name		No. of shares held	%
13.	RHB Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for RHB Securities Singapore Pte. Ltd.*	56,088,200	0.89
14.	Cartaban Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for Bank J. Safra Sarasin Ltd, Singapore Branch (BSCSG)*	54,000,000	0.86
15.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	50,746,090	0.81
16.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Total International Stock Index Fund*	46,109,222	0.73
17.	Cartaban Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for State Street Bank & Trust Company*	45,958,387	0.73
18.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for Public Ittikal Fund*	45,000,000	0.72
19.	Cartaban Nominees (Tempatan) Sdn Bhd *PAMB for Prulink Equity Fund*	43,560,201	0.69
20.	Citigroup Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for UBS AG Singapore*	35,864,400	0.57
21.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad*	35,650,313	0.57
22.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Rickoh Holdings Sdn Bhd*	32,500,000	0.52
23.	AmanahRaya Trustees Berhad *AS 1Malaysia*	32,277,200	0.51
24.	AmanahRaya Trustees Berhad *Amanah Saham Didik*	28,702,100	0.46
25.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera 2*	26,787,400	0.43
26.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for AIA Bhd.*	24,943,481	0.40
27.	Maybank Nominees (Tempatan) Sdn Bhd *MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund*	24,865,817	0.40
28.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Flexshares Morningstar Global Upstream Natural Resources Index Fund*	24,602,400	0.39
29.	Permodalan Nasional Berhad	23,116,500	0.37
30.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kim Heung*	23,000,000	0.36
Total		**5,213,336,831**	**82.96**

SHAREHOLDERS' INFORMATION
AS AT 30 AUGUST 2018

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	122,601,600	1.95%	*3,009,114,180	47.88%
Puan Sri Datin Hoong May Kuan	–	–	**3,131,715,780	49.83%
Dato' Lee Yeow Chor	9,280,400	0.15%	***2,995,653,380	47.67%
Lee Yeow Seng	4,180,400	0.07%	***2,995,653,380	47.67%
Vertical Capacity Sdn Bhd	2,995,653,380	47.67%	–	–
Progressive Holdings Sdn Bhd	–	–	#2,995,653,380	47.67%
Employees Provident Fund Board	782,151,873	12.45%	–	–

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, the wholly-owned subsidiary pursuant to Section 8 of the Act.

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-Ninth Annual General Meeting** ("**49th AGM**") of the Company to be held at **Millennium Ballroom 1 (Level 1), Le Meridien Putrajaya, Lebuh IRC, IOI Resort City, 62502 Putrajaya, Malaysia** on **Friday, 26 October 2018** 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)*

No.	Ordinary Resolutions	First Proxy "A" For	First Proxy "A" Against	Second Proxy "B" For	Second Proxy "B" Against
1.	To re-elect Dato' Lee Yeow Chor as a Director				
2.	To re-elect Datuk Karownakaran @ Karunakaran a/l Ramasamy as a Director				
3.	To re-elect Mr Cheah Tek Kuang as a Director				
4.	To approve Directors' Fees for the financial year ending 30 June 2019, Audit and Risk Management Committee fees and Governance, Nominating and Remuneration Committee fees, which payable quarterly in arrears				
5.	To approve the payment of Directors' benefits for the period from 26 October 2018 until the next AGM				
6.	To re-appoint Messrs BDO as Auditors and to authorise the Audit and Risk Management Committee to fix their remuneration				
7.	To authorise the Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016				
8.	To approve the proposed renewal of existing share buy-back authority				
9.	To approve the proposed renewal of shareholders' mandate for recurrent related party transactions				

Dated this ______________ day of ______________ 2018

** 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 49th AGM, more than half the votes cast must be in favour of the resolutions. Voting on all resolutions to be proposed at the 49th AGM will be by way of a poll.

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 49th AGM or any adjournment thereof.

8 Only shareholders whose names appear in the Record of Depositors and Register of Members as at **19 October 2018** shall be eligible to attend the 49th 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 49th 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)
IOI City Tower 2, Lebuh IRC, IOI Resort City, 62502 Putrajaya, Malaysia

www.ioigroup.com