IOI GROUP

Driving Sustainable Innovation

ANNUAL REPORT 2019

Our Vision

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

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

About IOI Corporation Berhad

IOI Corporation Berhad, 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.

Driving Sustainable Innovation

IOI Corporation Berhad ("IOI") is working in synergy and harnessing the power of collaboration to drive sustainable growth and innovation. On the cover, the integration of separate cords into one strong central braid represents the common vision and shared goals which bind all the Group's business operations. Rendered in corporate colours, they reflect the strong corporate culture within the Group. The focus on sustainable innovation has resulted in the use of new technologies, enhanced investment in research and development, improved efficiencies in its operations as well as a growing expertise and capabilities of its people. These strategic objectives ensure greater long-term growth for the Group as well as create a responsible and sustainable palm oil supply chain.

This Annual Report also represents IOI's maiden effort in integrated reporting as its continuous journey towards transparency and effective corporate reporting.

50th AGM

IOI CORPORATION BERHAD (9027-W)

Venue:	Millennium Ballroom 1 (Level 1), Le Méridien Putrajaya, Lebuh IRC, IOI Resort City, 62502 Putrajaya, Malaysia.
Date:	Friday, 25 October 2019
Time:	10:00 am

Our Core Values

In our pursuit of VISION IOI, we expect our people to uphold at all times, these IOI CORE VALUES:

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

INTEGRITY
which is essential and cannot be compromised

LOYALTY
is crucial because we are one team sharing one vision

INNOVATIVENESS
to provide us additional competitive edge

COMMITMENT
as we do what we say we will do

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

COST EFFICIENCY
is crucial as we need to remain competitive

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Tribute to Tan Sri Dato' Lee Shin Cheng 1939 – 2019

Tan Sri Dato' Lee Shin Cheng's life has become a favourite story in Malaysia's corporate folklore.

Tan Sri Dato' Lee Shin Cheng's life has become a favourite story in Malaysia's corporate folklore.

He was the Founder and Executive Chairman of two public-listed companies, IOI Corporation Berhad and IOI Properties Group Berhad. Through his vision, hard work and enterprising spirit, the companies have grown to become leading corporations in their respective sectors.

EARLY LIFE

Tan Sri Dato' Lee was born in Jeram, Kuala Selangor, Malaysia in 1939. As a child, he was raised in a rubber estate where his father owned a sundry shop. At the age of only 11, he had to stop schooling and sell ice-cream full time on his own bicycle in order to help support his family. He did this for three years before he went back to school to complete his studies at Middle High School.

Tan Sri Dato' Lee started working at the age of 17, as a supervisor in a rubber estate. He diligently worked his way up to become a full-fledged estate manager before he turned 30 years old.

Tan Sri Dato' Lee's early years experiences instilled the enterprising spirit in him which later shaped his life-long entrepreneurial journey.

SIGNIFICANT MILESTONES

In 1975, Tan Sri Dato' Lee started a private-limited property company named Lam Soon Huat Development Sdn Bhd (later renamed as IOI Properties Berhad in 1994) and started his first housing development project in Kajang in the following year.

Subsequently in 1984, he acquired three property development companies and further expanded his property business.

In 1982, he secured a controlling stake in Industrial Oxygen Incorporated ("IOI") and used it as a vehicle to venture into oil palm plantation business starting from zero base. In the following year, he acquired three plantation companies in Pahang and later ventured into greenfield oil palm planting in Sabah through the acquisition of Morisem Plantation (Sabah) Sdn Bhd.

In 1990, he demonstrated his vision and foresight by acquiring Dunlop Estates, a business much bigger than IOI at that time. The acquisition marked the first major breakthrough in his life, and became one of the proudest moments for him. There is an added irony in that he applied for a job at Dunlop Estates 25 years earlier but was rejected due to lack of education qualifications. The RM500 million acquisition involved 13 palm oil estates (a total of 27,880 hectares), two palm oil mills, two rubber factories and one Research Centre.

Tan Sri Dato' Lee's other significant milestone involved the acquisition of Pamol Plantation Sdn Bhd in 2003 from Unilever. Since then, the breeding and seed production operation of Pamol became integrated with IOI Research Centre, which enables IOI to produce very high-quality seeds for its plantations.

Tan Sri Dato' Lee's vision and management capability extend beyond plantations and property. In 1997, he acquired a controlling stake in Palmco Holdings Berhad (later renamed as IOI Oleochemical Industries Berhad), a palm-based oleochemical company. Within one year of acquiring the struggling company, Tan Sri Dato' Lee turned it around into a highly profitable business by expanding the market base of its product globally. Nine years later, he acquired Pan-Century Edible Oils and Pan-Century Oleochemical, making IOI the world's largest vegetable-based oleochemical producer at that time.

In 2002, Tan Sri Dato' Lee further diversified his businesses and extended his reach globally by acquiring Loders Croklaan, a specialty fats company based in the Netherlands and with operations in the United States and Canada, from Unilever. The acquisition provided IOI access to the specialty oils and fats markets in over 60 countries and completed IOI's palm oil value chain, making it a leading global integrated palm oil producer.

CONTRIBUTIONS TO SOCIETY

On the community and industry service front, Tan Sri Dato' Lee was the patron and advisor of many community and business associations in Malaysia. Among his notable contributions were leading the redevelopment of the 111-year old Kuen Cheng Secondary School as the Chairman of its Board of Directors and contributing to the entire development of Shin Cheng (Harcroft) Primary School in Puchong, Selangor through the charity foundation founded by him, Yayasan Tan Sri Lee Shin Cheng.

Tan Sri Dato' Lee was bestowed the Honorary Doctorates in Agriculture from University Putra Malaysia and Honorary Doctorate in Science from University of Malaya in 2002 and 2017 respectively, and received many accolades for his outstanding accomplishments and leadership in the plantation industry.

Above all, Tan Sri Dato' Lee's tenacity and enterprising spirit were unrivalled by many in the Malaysian corporate circle, yet his humility and down-to-earth demeanour have gained the friendship and respect among many whom he met.

We salute Tan Sri Dato' Lee for his many achievements. His life story will serve as an inspiration to many and his accomplishments will form an important chapter in the Malaysian corporate history.

At a Glance

Profit before Interest and Taxation

Continuing operations

RM
1.08
Billion

2018 – RM1.38 Billion

Profit Attributable to Owners of the Parent

Continuing operations

RM
0.63
Billion

2018 – RM1.23 Billion

Earnings Per Share

10.05
Sen

2018 – 48.70 Sen

Dividend Per Share

8.0
Sen

2018 – 20.5 Sen

Share Price

RM
4.25

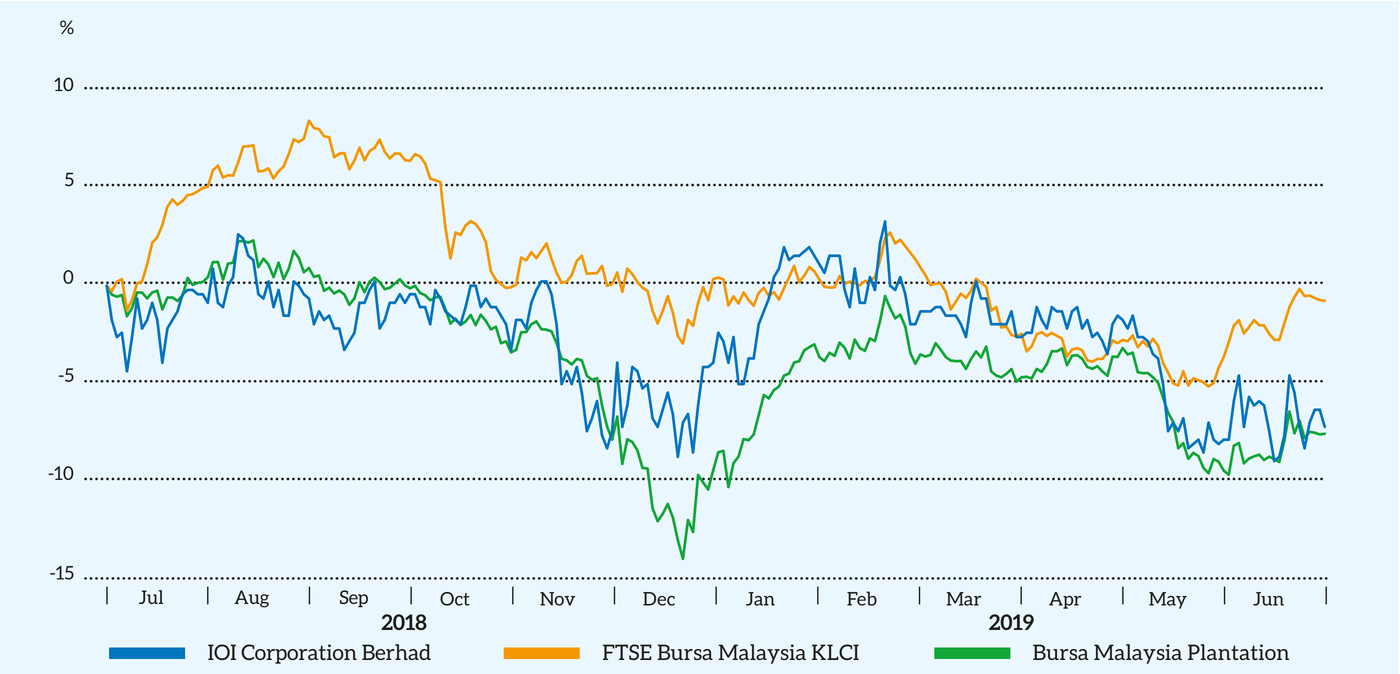
2018 – RM4.54

Market Capitalisation

RM
26.71
Billion

2018 – RM28.53 Billion

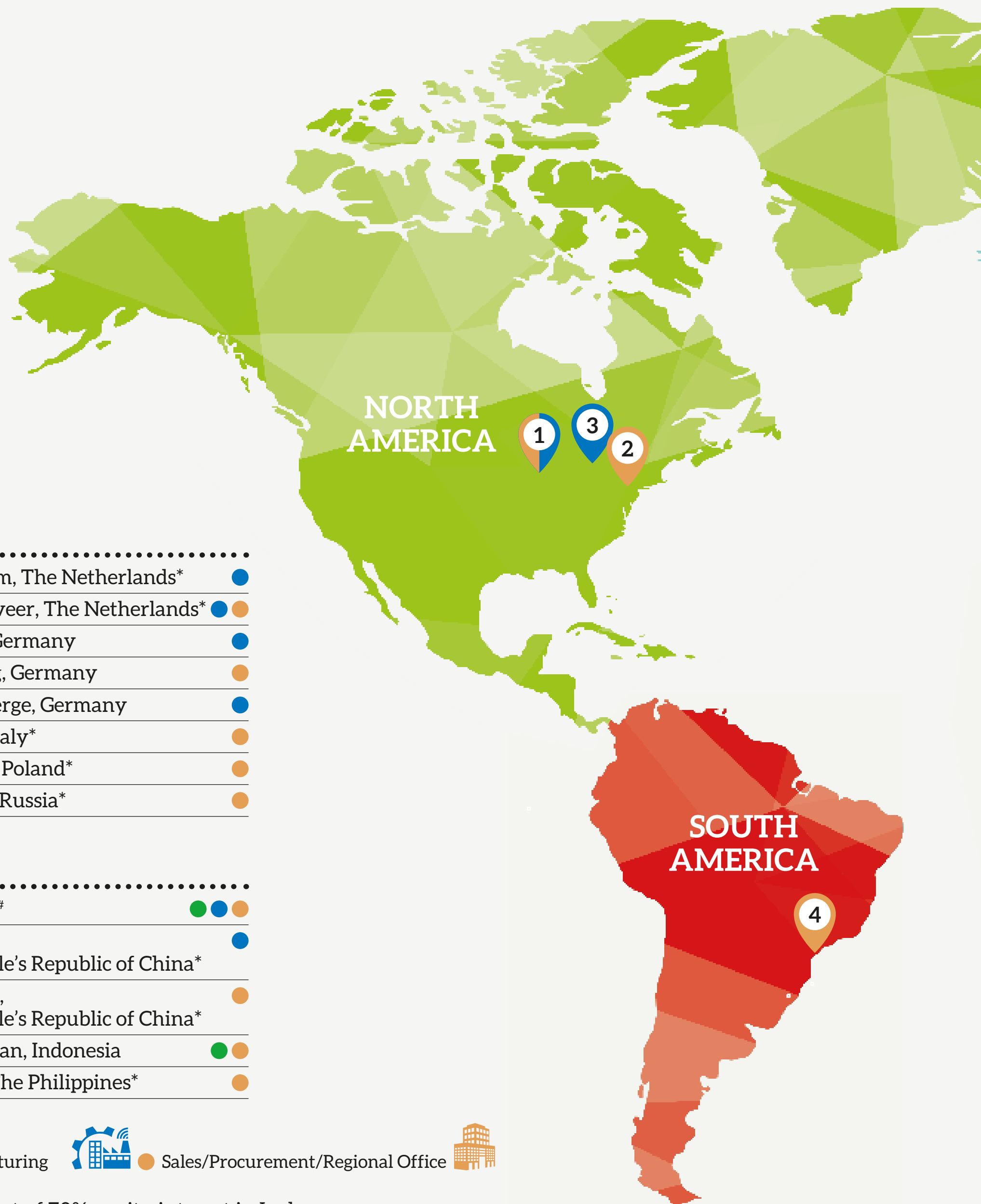
Key Indicators



In RM million unless otherwise stated	**2019**	2018	2017	2016	2015
FINANCIAL					
Profit before interest and taxation	**1,076.8**	1,380.6	1,401.4	1,459.6	1,237.6
Profit attributable to owners of the parent	**631.7**	3,060.5	743.2	629.7	51.9
Equity attributable to owners of the parent	**9,299.6**	9,156.3	7,457.4	7,138.1	7,069.0
Return on average shareholders' equity (%)	**6.85**	36.84	10.18	8.86	0.68
Basic earnings per share (sen)	**10.05**	48.70	11.82	9.99	0.82
Dividend per share (sen)	**8.0**	20.5	9.5	8.0	9.0
PLANTATION					
FFB production (MT)	**3,398,847**	3,514,857	3,155,628	3,145,317	3,542,222
Total oil palm area (Ha)	**176,156**	174,234	174,396	179,271	178,768
MANUFACTURING					
Oleochemical					
Plant utilisation (%)	**82**	83	80	82	85
Sales (MT)	**714,131**	714,024	697,421	745,100	755,157
Refinery					
Plant utilisation (%)	**65**	69	63	62	66
Sales (MT)	**1,708,668**	2,152,800[1]	2,414,773	2,427,326	2,591,197

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

Global Presence



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. Varese, 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*

● 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.

EUROPE
ASIA
AFRICA
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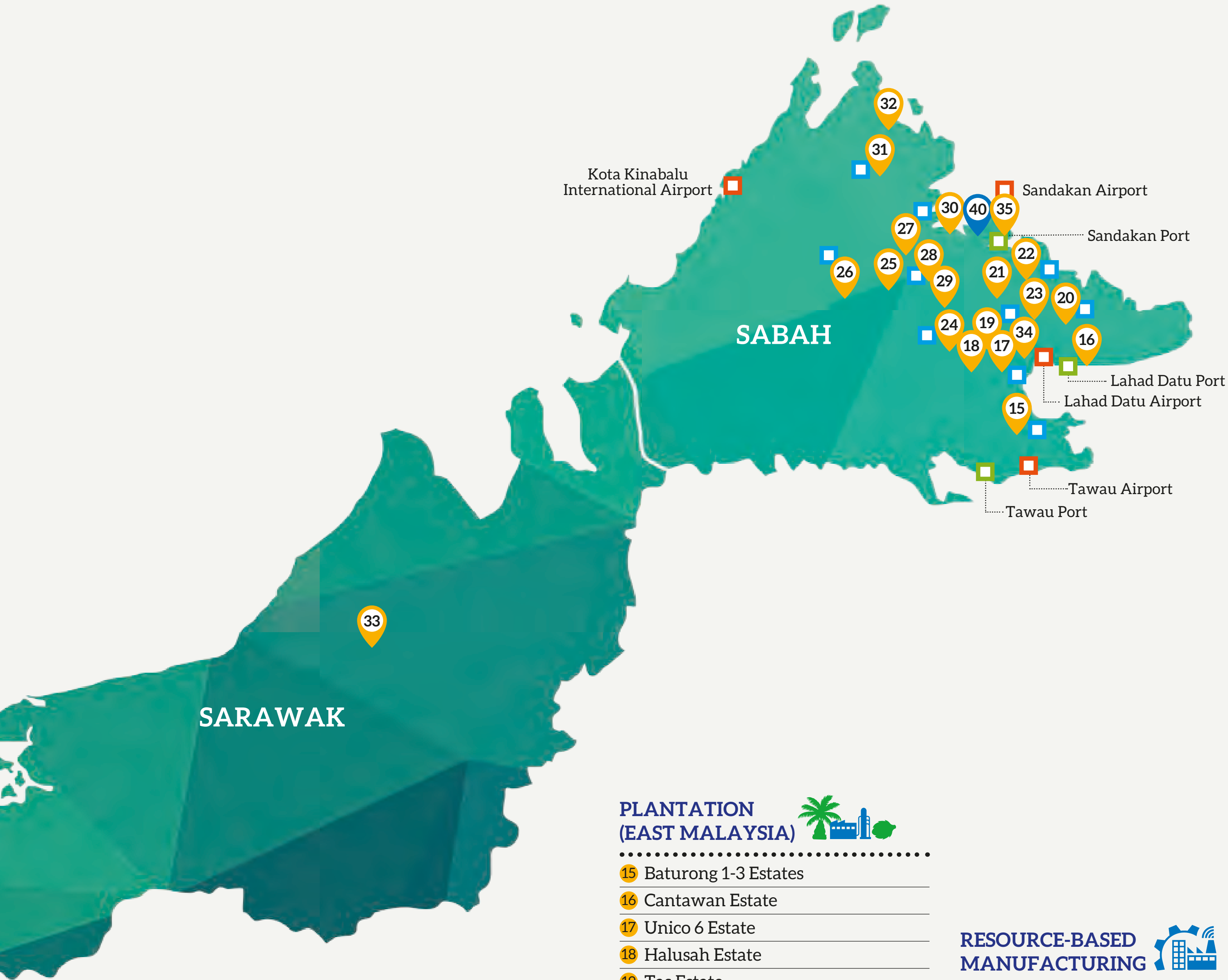
Local Presence



PLANTATION (PENINSULAR)

1. Bukit Dinding Estate
2. Detas Estate
3. Bukit Leelau Estate
4. Leepang A Estate & Laukin A Estate
5. Mekassar Estate & Merchong Estate
6. Pukin Estate
7. Shahzan IOI 1 Estate & Shahzan IOI 2 Estate
8. Bahau Estate & Kuala Jelei Estate
9. IOI Research Centre & Regent Estate
10. Gomali Estate, Paya Lang Estate & Tambang Estate
11. Bukit Serampang Estate & Sagil Estate
12. Segamat Estate
13. Kahang Estate
14. Pamol Barat Estate, Pamol Timur Estate, Mamor Estate, Unijaya Estate & 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

- Main Airport
- Palm Oil Mill
- Main Port
- North-South Expressway
- East Coast Expressway

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

Boosting Productivity through Biotechnology

To date, millions of high-yielding clonal palms have been produced from our purpose-designed Tissue Culture Laboratory. These superior clones are planted in our estates, resulting in higher oil yield and OER. The clonal palms make up 10% to 50% of oil palm planting in estate groups located in Peninsular Malaysia and Sabah. Clonal OER tests conducted in IOI's mills showed OER of 27% achieved with fresh fruit bunches from pure stands of clonal planting. Since early 2019, palm oil mills that received crops from estates planted with 30% to 50% of clones have been consistently reporting an average of ≥ 24% OER, as compared to the average 20.9% OER achieved for IOI's mills in FY2018. Going forward, we expect the OER to continue to increase in the future as more of these clonal palms are being replanted yearly, and more of them come into maturity and reach prime production age.

10% to 50%

clonal palms in estate groups in Peninsular Malaysia and Sabah

≥ 24%

OER since early 2019 for mills of estates planted with 30% to 50% clones

14.8%

increase in OER for mills of estates planted with 30% to 50% clones as compared to the average OER of 20.9% in FY2018

Innovating to Maximise Yields

We maintain our oil palm productivity through advancement in plant breeding and tissue culture technology, leading to the production of palms with higher oil yield and improved oil extraction rate ("OER"), as well as reducing our reliance on more land for growth.

In keeping with Malaysia's pledge to retain 50% of its forest covers, IOI adopts a sustainable approach to maximise palm oil yields from its existing hectarage through innovative research and development programmes to develop better planting materials.

Our team of in-house agronomists and plant breeders conducts a myriad of agronomic studies and breeding trials with our high-yielding germplasm collections of Deli dura ("D") and AVROS pisifera ("P") lineages, which were obtained through the acquisitions of Dunlop Plantation in 1990 and Unilever Plantation in 2003. Over the years, the plantations' respective research programmes have been incorporated into IOI's research and development pipeline, which includes further breeding and selection studies with the principal goal of producing quality oil palm planting materials for sustainable palm oil production in our plantation.

IOI Palm Biotech Sdn Bhd, a BioNexus Status Company was incorporated in 2009 to commercially produce superior high-yielding oil palm clones. Our cutting-edge tissue culture technology was developed in-house with nearly 30 years of intensive and systematic research since the late 1980s. The primary source materials for producing clonal palms are obtained from ortet palms selected from the top 10% of the highest yielding tenera palms progenies, and from elite D and P parents.

Innovating to Enhance Operational Efficiency

We embarked on the implementation of a Group-wide SAP system with HANA database, and have adopted relevant technological solutions to further drive integration across business segments and enhance overall operational efficiency.

Digitalisation is imperative for IOI to remain competitive. In 2018, we embarked on the implementation of the SAP system, a comprehensive Enterprise Resource Planning system in several roll-out stages to streamline existing diverse and stand-alone systems into ONE IOI Integrated Platform. Progressively towards the full implementation of the system, the Group will be able to optimise asset utilisation, improve the response time between business units and monitor its wide-ranging upstream and downstream business segments in a fully integrated manner. Going forward, more digital solutions such as business intelligence and data analytics will be integrated with the SAP system to support IOI's overall operations.

Additionally, we have adopted other technological solutions including the Electronic Plantation Monitoring System ("ePMS") to enhance our estate operations. We continue to partner closely with our stakeholders by using satellite technology to monitor our landscape and ensure that our estates and those of our direct and indirect suppliers adhere to the No Deforestation, No Peat and No Exploitation policy. Simultaneously, we employ drone technology to monitor our conservation areas for signs of breaching and to help us in overseeing regeneration areas within our plantation where rehabilitation efforts are in progress.

To reduce methane emission from palm oil mill effluent, a major contributor of greenhouse gas ("GHG") emissions, a total of six biogas power plants have been installed as at July 2019. These plants contribute to the overall reduction of the Group's operational GHG emissions, while reducing power generation cost for mills and housing complexes by more than 50% from conventional diesel fuel.

50%
faster in financial and operational reporting*

20%
savings in plantation operations' support services*

>50%
reduction in power generation cost for mills and housing complexes

* Projections in relation to the SAP system implementation.

Future-Forward Digital Ecosystem

We have embarked on a Group-wide SAP system across our different divisions. The system will be implemented in different phases to streamline and drive greater process efficiency, provide solutions to trace products throughout our supply chain, and support faster and more efficient accounting processes through automation and standardisation. This integrated approach strengthens our business fundamentals and IOI's ability to create long-term value for our stakeholders.

Beauty Products that Care

Growing consumer preference for natural products over artificial chemicals in the beauty care industry has significantly elevated demand for palm-based natural fatty acids. In November 2018, our capabilities in developing new and innovative formulations for applications in personal care and cosmetic products were further enhanced with the opening of a new formulation and multifunctional CARE Studio in Hamburg, Germany. In six months, the CARE Studio has generated 12 new formulations including two innovative easy-to-apply hair care and facial cleanser formulations which help to reduce water usage. Major players in the personal care sector have expressed interest in these formulations given the increasing importance of water conservation and environmental sustainability in the manufacturing of consumer products.

714,131MT

annual sales volume from oleochemical sub-segment

2

specialty ester plants in Germany which cater to the pharmaceutical and cosmetic industries

13

patent filings for pharmaceutical applications in progress

Innovating to Expand Value Delivery

We are advancing research to explore new and innovative oleochemical applications as we move up the product value chain to offer specialised oleochemical products which cater to the pharmaceutical and cosmetic industries.

Our oleochemical sub-segment continues to be one of the key drivers to the Group, contributing a higher sales volume of 714,131 MT in FY2019. Our German oleochemical division, IOI Oleo GmbH manufactures customised products at both its Witten and Wittenberge sites and markets them worldwide, mainly to the pharmaceutical and cosmetic industries.

Our pharmaceutical excipients as well as our oleochemical-based Active Pharmaceutical Ingredients for enteral and parenteral applications have had good reputation for decades. We observe the highest quality standards that are continually improved and controlled by the German authority, United States Food and Drug Administration as well as through regular audits by our clientele.

A new filling facility for pharmaceutical-grade liquid products has been established at our Witten site in March 2019. This addition will further enhance our strategic capability to meet the increasing quality standards demanded by the pharmaceutical industry. With 13 patent filings in progress, our research team is in advanced stages of developing new novelty products and applications in the treatment of certain metabolic disorders.

Chairman's Statement

As we embark on this digital transformation, we look forward to derive greater efficiencies in operating and monitoring our business operations.

Tan Sri Peter Chin Fah Kui
Independent Non-Executive Chairman

An interim dividend of 3.5 sen per ordinary share amounting to a payout of approximately RM220.0 million was paid.

Profit before tax

RM 872.6 million

Net profit

RM 617.6 million

Dear Shareholders,

Before I present to you the Annual Report 2019, I would like to humbly express my gratitude to the Board of Directors (the "Board") of IOI Corporation Berhad ("IOI") for my appointment as the Chairman of the Group. It is a great honour and privilege for me to undertake this momentous role which was previously held by our admirable late Founder and former Executive Chairman, Tan Sri Dato' Lee Shin Cheng.

Hence, I would also like to take this opportunity to commemorate the late Tan Sri Dato' Lee Shin Cheng for his vision, enterprising spirit and lifetime sacrifice which led IOI to be a leading corporation in the sector.

On behalf of the Board, I am pleased to present to you the Annual Report of the Company and the Group for the financial year ended 30 June 2019 ("FY2019").

OPERATING ENVIRONMENT

During the period under review, signs of global economic slowdown have begun to emerge. The intensified and prolonged United States ("US")-China trade war affected global trade in general and commodity markets particularly.

On the local front, Malaysia's economy remained resilient as the country achieved a Gross Domestic Product ("GDP") growth of 4.9% in the second quarter of 2019, the highest growth rate among the past three quarters.

However, foreign currencies particularly the USD/MYR exchange rate continued to remain volatile chiefly due to changes in US Federal Reserve monetary policies as well as uncertainty of the global economy as a result of the trade war.

As for the palm oil sector, a recovery in fresh fruit bunches ("FFB") output and crude palm oil ("CPO") production coupled with a sluggish global demand has led to high inventories which peaked in December 2018 at above 3 million MT. These factors have led to generally lower CPO prices for the whole of FY2019 with the lowest price recorded in December 2018 at around RM1,800/MT.

The low CPO and palm kernel ("PK") prices have negatively impacted the upstream palm segment but was favourable towards the downstream palm segment as CPO and PK are the main feedstocks for the downstream segment.

REVIEW OF RESULTS

For the financial year under review, the Group's continuing operations profit before tax ("PBT") of RM872.6 million was 44% lower as compared to the PBT of RM1,570.7 million reported for financial year ended 30 June 2018 ("FY2018"). The lower PBT was due mainly to lower contribution from the plantation segment which was cushioned by the higher contribution from the resource-based manufacturing segment and also due to total net foreign currency translation loss on foreign currency denominated borrowings and deposits at RM102.1 million. Excluding the total net foreign currency translation loss on foreign currency denominated borrowings and deposits as well as fair value gain on derivative financial instruments from the resource-based manufacturing segment, the underlying PBT of RM945.8 million for FY2019 was 24% lower than the underlying PBT of RM1,252.1 million for FY2018.

Consequently, the Group reported a net profit of RM617.6 million for FY2019 as compared to RM3,068.3 million for FY2018. The much lower net profit was mainly due to the absence of material disposal gain. In FY2018, the Group recognised a disposal gain of RM1,679.7 million arising from the divestment of 70% equity interest in Loders Croklaan Group B.V..

Chairman's Statement

IOI embarks on a Group-wide oil palm replanting effort to maintain its estates' high yields and to ensure business continuity.

For our plantation segment, the lower profit of RM483.9 million for FY2019 as compared to FY2018 of RM1,010.1 million was mainly due to lower CPO and PK prices realised as well as lower FFB production. Overall average CPO and PK prices realised for FY2019 are RM2,025/MT (FY2018 – RM2,549/MT) and RM1,390/MT (FY2018 – RM2,252/MT) respectively. FFB production for FY2019 was 3.4 million MT as compared to 3.5 million MT for FY2018.

Conversely, our resource-based manufacturing segment benefitted from the lower CPO and PK prices which contributed to higher sales volume and improved margins. The resource-based manufacturing segment profit of RM553.4 million for FY2019 was 44.1% higher than the profit of RM384.0 million reported in FY2018 on the back of higher contribution from all sub-segments and higher share of associate results from Bunge Loders Croklaan Group B.V. ("Bunge Loders").

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, an interim single tier dividend at 3.5 sen per ordinary share amounting to a total amount of approximately RM220 million was paid. A final single tier dividend of 4.5 sen was also proposed on 15 August 2019, which is subject to shareholders' approval at the forthcoming Annual General Meeting. When taken together, the total dividend payout represent approximately RM503 million or 41.5% of the Group's net cash flow generated from operating activities in FY2019.

The Group continues to maintain a low net gearing ratio at 0.25 at the end of FY2019. Cash and cash equivalents at the end of FY2019 stood at RM2.6 billion, which puts the Group in a strong liquidity position.

MAJOR CAPITAL EXPENDITURE

As reported previously, the Group's plantation segment has embarked on an accelerated replanting programme to

IOI's estates are undergoing a revitalised mechanisation plan to drive higher work excellence and productivity.

replace ageing oil palms, I am pleased to report to you that over 8,000 hectares of ageing trees were replanted with higher yielding oil palm planting materials. This represents approximately 4.7% of our total planted area which is higher than our normal replanting rate of 3% to 4% of our total planted hectarage per annum.

As for the new planting, the Group has also completed a new planting of 2,880 hectares of oil palm on its last concession area in Kalimantan, Indonesia. The new planting of the balance of 3,739 hectares will be completed in the financial year ending June 2020 ("FY2020").

In an effort to reduce greenhouse gas emissions and generate renewable energy, six biogas power plants have been installed in our mills as at July 2019. Another four biogas power plants are currently under construction, making a total of ten.

The Group has embarked on an estate mechanisation programme to improve productivity and cost efficiency. We have successfully completed a pilot project on the FFB Main Line Evacuation and we look forward to implement this system in our other estates as well.

As for the oleochemical division, the Group will commence construction of its new 110,000 MT capacity oleochemical plant in Prai, Penang by end of calendar year 2019. Construction of the plant is estimated to take two years to complete. A new filling facility for pharmaceutical-grade liquid products was commissioned at our specialty ester plant in Witten, Germany to meet higher quality standards required by the pharmaceutical industry. In addition, a new formulation and multifunctional CARE Studio for beauty care and cosmetic products was set up in Hamburg, Germany to facilitate collaboration with customers and to enhance product customisation.

IOI Oleo GmbH's new fully-automated Active Pharmaceutical Ingredient filling system in Witten, Germany will further enhance IOI's competitive advantage in the pharmaceutical industry.

As mentioned in the previous year, the Group embarked on a Group-wide SAP Enterprise Resource Planning ("ERP") system project, which will be implemented in different phases across our different divisions. I am pleased to report that the system was successfully implemented across our Corporate and Refinery divisions on 1 July 2019 and the first grouping of our Plantation estates had also gone live on 1 September 2019. We look forward to derive greater efficiencies in operating and monitoring our business operations through efficient financial reporting and accounting processes, accelerated operational procedures, speedy data analysis and Group-wide manpower efficiencies.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

During the year under review, the Group completed an external verification of the implementation of its policy commitments in the Group's Sustainable Palm Oil Policy ("SPOP") and its progress in the Sustainability Implementation Plan. The external verification conducted by Proforest revealed successful implementation of most of the Group's policy commitments in the SPOP with a few areas for improvement.

With regards to the complaint case on our plantation subsidiary companies in Ketapang, Indonesia, the Roundtable on Sustainable Palm Oil ("RSPO") Complaints Panel officially closed the case in October 2018, after a period of close monitoring.

In the area of human rights and workplace, the Group is collaborating with Monash University Malaysia to provide companies with a proper definition of fair and decent wages for the palm oil sector as well as to facilitate an informed stakeholder discussion about the appropriate methodology for calculating the said wages for workers.

IOI fully supports the nationwide Love MY Palm Oil campaign to promote public awareness on the benefits of Malaysian palm oil.

As a recognition of IOI's sustainability progress, the Group was included in the FTSE4Good Bursa Malaysia Index in December 2018. This was followed by an award received on 14 March 2019, for Most Improved Performance in Hong Kong and Southeast Asia for disclosure on Forests Program by the Carbon Disclosure Project, a global organisation that runs a global disclosure system that enables companies, cities and states to measure and manage their environmental impacts.

Last year, the Group showed its support to the global initiative for a greener earth and sustainable future by adopting the United Nations Sustainable Development Goals ("UN SDGs") which were most relevant to our operations, i.e. SDGs 8, 12, 13 and 15. This year, IOI identified two additional goals that it can contribute towards, which are SDG 2 (Zero Hunger) and SDG 17 (Partnerships for the Goals).

The Group undertakes many of its corporate responsibility activities via Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC"), which was established in 1994. Yayasan TSLSC has five pillars in its objectives namely education, community welfare, medical assistance, social enterprises, and promotion of Science, Technology, Engineering and Mathematics ("STEM"). Besides monetary contribution, Yayasan TSLSC also undertakes various collaborations with schools, welfare bodies and communities in the vicinity of our plantations and property projects.

The Group's sustainability progress is further detailed in its Annual Sustainability Report 2019 which is based on Global Reporting Initiative standards.

OUTLOOK AND PROSPECTS

Going forward, the global economy is expected to slow down in the remaining period of 2019 and continuing into 2020 amid uncertainties surrounding the US-China trade war and Brexit.

In Malaysia, macroeconomic fundamentals are expected to remain stable, supported by resilient private consumption and government expenditure on infrastructure projects.

The Malaysian palm oil inventories have shrank to 2.25 million MT in August 2019 after peaking at over 3 million MT in December 2018. The Group anticipates palm oil prices to recover gradually in FY2020 due to improving exports, higher demand from biodiesel industry in Malaysia and Indonesia, and moderate production growth going forward. We therefore expect the contribution from our plantation segment to improve from the dismal level seen in FY2019.

As for our resource-based manufacturing segment, we expect the oleochemical sub-segment to perform well due to the relatively low CPO and PK prices, albeit not repeating its stellar performance during FY2019. As the segment is exposed largely to export markets, the operating environment will become increasingly challenging due to global economic slowdown and the US-China trade war.

As for Bunge Loders, now our 30%-owned specialty fats associate, the Group expects its current financial performance to sustain for FY2020 on the back of higher volumes and larger synergies materialising from the integration of its operations into Bunge Limited's edible oils business.

Overall, the Group expects its operating performance for FY2020 to be stable and satisfactory amid the challenging environment.

ACKNOWLEDGEMENTS

It was a challenging year for the palm oil industry as a whole given that CPO prices are near historical lows coupled with global economic headwinds. Despite these challenges, the Group managed to produce a commendable result for FY2019.

For this, I wish to record my sincere thanks to the management and employees for their commitment and dedication during these challenging times. I also would like to express my appreciation and gratitude to all our stakeholders, namely our customers, bankers, business partners, governmental authorities, non-governmental organisations, and our shareholders for their continued support and confidence in our Group.

During the year under review, two Board members, namely Mr Lee Cheng Leang and Mr Lim Tuang Ooi, who retired and resigned respectively from the Board due to personal reasons. On behalf of the Board, I would like to express our appreciation to Mr Lee and Mr Lim for their invaluable service and great contribution to the Group over the last 38 years and eight years respectively.

Again, I wish to express my gratitude to the late Tan Sri Dato' Lee Shin Cheng for the great legacy he had left. In order to commemorate our late Founder, we have included a special tribute to the late Tan Sri Dato' Lee Shin Cheng which you can find on pages 2 to 3.

Thank you.

Tan Sri Peter Chin Fah Kui
Independent Non-Executive Chairman

IOI received the Special Mention Award for Leadership Trust in PwC Malaysia Building Trust Awards 2019, which recognises IOI's efforts in building trust with its stakeholders.

GMD's Q&A

With sound strategies and strong capabilities, we remain confident of the future.

Recently, the profitability of palm oil has been declining due to the volatility of palm oil prices. What is IOI's strategy to address the volatility of palm oil prices?

IOI is recognised as one of the most efficient palm oil producers, with a track record of managing profitability efficiently through the commodity cycles. Our integrated business model comprises the upstream plantation and downstream resource-based manufacturing segments. A substantial portion of the Group's plantation produce is being utilised in our resource-based manufacturing operations.

Based on our integrated business model, the plantation segment contributes substantially to our income during the period of high crude palm oil ("CPO") price while the resource-based manufacturing segment stabilises the Group's income during the downwards

Dato' Lee Yeow Chor
Group Managing Director
and Chief Executive

cycle of CPO price. Our industry-leading CPO yield and scale in plantation operations have enabled us to keep production cost per tonne of CPO low. Hence, we are able to better withstand palm oil price volatility when compared to other growers, thus making us more competitive in the industry.

Additionally, IOI continues to explore new business opportunities in the downstream segment by investing in new technologies and innovations as well as capitalising on our ability to produce higher value-added palm-based derivatives. In FY2019, we established new facilities for producing pharmaceutical-grade liquid products and developing new cosmetic and personal care applications. Our oleochemical products are exported to well-known multinational corporations located in more than 80 countries worldwide including Japan, China, European Union countries and the United States.

We embarked on an aggressive Group-wide oil palm replanting programme with high-yielding new materials and are expanding the production capacity of our manufacturing facility to cater to the growing demand for palm-based derivatives.

Our commitment to safeguarding the well-being of our People, protecting the Planet which we live in, sharing our Prosperity and forging strong Partnerships is evidenced in our approach to sustainable palm oil production.

6%

of our total oil palm planted area will be replanted in FY2020.

The palm oil industry has been linked with unsustainable practices such as deforestation and unfair labour practices. What are the sustainable practices that emphasise IOI's commitment to being a sustainable palm oil player that is committed to No Deforestation, No Peat and No Exploitation ("NDPE")?

Sustainability, based on the three pillars ("3P") of sustainability, is central and integral to the way we conduct our business. In these aspects, we are committed to safeguard the well-being of **People** which includes our employees, their families and the communities where we operate; protect and rehabilitate the **Planet** we live in; and share our **Prosperity** and economic success with our stakeholders. As an enabler to these pillars, our **Partnership** with our stakeholders is critical to help us achieve our sustainability commitments.

With respect to our sustainability practices, we believe the commitment to attain balance between development and conservation will reinforce our standing among the stakeholders and enhance our ability to conduct business successfully. Our pledge towards the NDPE is clearly stated in our Sustainable Palm Oil Policy ("SPOP") and the Sustainability Implementation Plan ("SIP"), which is a working document with detailed initiatives, milestones and timelines for implementation of policy commitments outlined in the SPOP. The documents reflect our long-standing commitments to sustainable plantation and global supply chain management and is updated regularly to reflect our stakeholder inputs and on-the-ground implementation efforts. The key initiatives covered include High Carbon Stock Approach-guided forest conservation effort, as well as Roundtable on Sustainable Palm Oil, Malaysian Sustainable Palm Oil and Indonesian Sustainable Palm Oil certifications. Further details on IOI's sustainability initiatives and other updates are highlighted in our Annual Sustainability Report 2019.

Why is IOI supporting only 6 out of the 17 United Nations Sustainable Development Goals ("UN SDGs")?

IOI adopts a focused approach in its sustainability practices. We have chosen to concentrate on six UN SDGs that are most relevant to our operations and most closely aligned with our sustainability strategy.

UN SDGs 8, 12 and 15 collectively echo the Group's commitment to sustainability management in our plantations and the efficient use of natural resources together with responsible sourcing and best practices in manufacturing while UN SDGs 2 and 13 address food security, economic livelihoods, environmental ecosystems and climate change. UN SDG 17 underscores our commitment to achieve these goals in partnership with relevant stakeholders through knowledge, technology and resource-sharing. The Group continues to expand and strengthen our sustainability targets within our chosen UN SDGs to improve our management of multifaceted challenges such as economic inclusion, climate change, environmental degradation and diminishing natural resources.

What is IOI doing to differentiate itself from its competitors?

IOI manages its upstream and downstream businesses in the most cost-efficient manner. Our operational efficiency stems from the Group's integrated business model that provides us with significant competitive advantage over other industry players. This model continues to be the key contributor to our strong business performance.

In terms of innovation, we invested significantly to improve our competencies across the palm oil value chain. We continue to adopt new innovations, enhance our research and development capabilities in plant breeding and tissue culture technologies, and employ best management practices to streamline business process and increase our productivity. In FY2019, IOI started implementing a revitalised mechanisation plan in its estates, in addition to utilising novel technologies including the Electronic Plantation Monitoring System ("ePMS") and drones to enhance the estates' operational efficiency and monitoring.

From the leadership perspective, IOI is led by a team of experienced, knowledgeable and hands-on management who are highly result-oriented. Our corporate culture emphasises on efficiency with little bureaucracy, thus enabling quicker decision-making. We value our employees, many of whom are loyal and long-serving, who play an integral role in the effective functioning of the Group.

What is the outlook for IOI in the next 3-5 years?

IOI is in a strong position to capitalise on new growth opportunities. In the upstream segment, we embarked on an aggressive Group-wide oil palm replanting programme with high-yielding new materials to ensure business continuity and to maintain IOI's high yields and productivity. In the downstream segment, we are expanding the production capacity of our oleochemical plant complex in Prai, Penang to cater to the growing demand for palm-based derivatives.

Following the divestment of 70% interest in our specialty oils and fats business sub-segment to Bunge Limited in FY2018, we are exploring to utilise part of the substantial cash proceeds to invest further in our upstream business through the acquisition of additional oil palm plantations, especially in areas close to our existing plantations in Sabah and Kalimantan, Indonesia. At the same time, we are optimistic about the value-added applications of our palm fibre by-products and are actively looking at investments in this relatively untapped area.

At the operational front, we expect the full implementation of the SAP Enterprise Resource Planning system to enhance our financial reporting process, provide speedy data analysis, streamline internal control and serve as a common platform to link other digital technologies that will add new values to our business.

Our Strategy

Sustainable Growth

At IOI, we believe that the key to long-term profitability lies in achieving a balance between growth and development through the production of traceable and sustainable palm oil and manufacturing of palm-based products at scale.

Driving Innovations

Innovations are central to our strategy to stay ahead. We continue to invest in our in-house research and development capabilities to produce high-yielding planting materials, and employ other technologies to enhance IOI's business operations.

People Capital Development

IOI is committed to developing and empowering talents through innovative training programmes to ensure effective business continuity and succession planning across all levels of the organisation.

Economies of Scale

As a fully integrated palm oil producer, IOI is able to leverage on its operational synergies and best practices to achieve better efficiency and economies of scale across its business operations.

Our Value Creation Model

Inputs

Natural Capital
Our estates, high-yielding planting materials and diverse age profile of our oil palm trees.

Financial Capital
Our good performance and management practices. Readily available funds and access to financial institutions.

Manufactured Capital
Our integrated estates, self-sustained mills, refineries, manufacturing facilities and research centres.

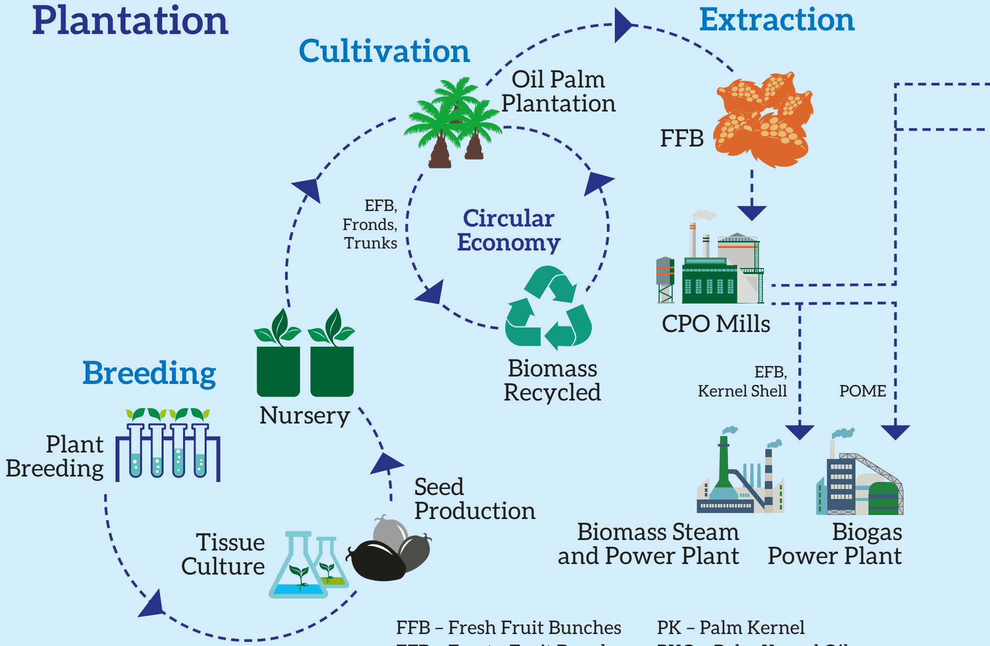
Human Capital
Our workforce diversity and unique IOI culture with succession and business continuity planning.

Intellectual Capital
Our research and development ("R&D") capability, best practices in estate management, robust sustainability and governance policies and practices.

Social & Relationships Capital
Our key stakeholders including shareholders, suppliers, non-governmental organisations ("NGOs"), regulators, communities and employees.

Our Integrated and Sustainable Value Chain

Plantation



FFB – Fresh Fruit Bunches
EFB – Empty Fruit Bunches
CPO – Crude Palm Oil
PK – Palm Kernel
PKO – Palm Kernel Oil
POME – Palm Oil Mill Effluent

Contribution to Segment Results#

Upstream

46%

Plantation

Excludes 1% contribution to segment from others.

Our Competitive Edge

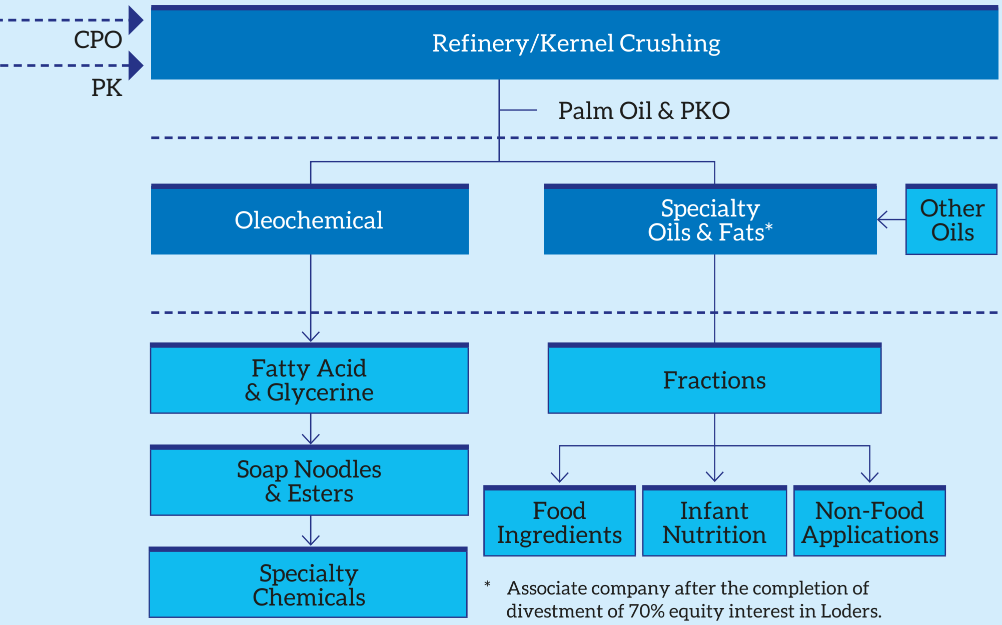
Integrated Value Chain
Industry-leading synergies across upstream and downstream businesses.

Integrated Systems
Operational excellence through ONE IOI Integrated Platform for greater efficiency.

Strength in R&D
In-house research and development capabilities for the production of high quality planting materials.

At IOI, sustainability and innovation are essential to secure the future of the Group. We strive to establish and sustain a global palm oil supply chain which is reliable, traceable and sustainable. Our integrated business model enhances synergies across business operations, delivers shared values to our stakeholders and provides long-term economic, social and environmental benefits.

Resource-Based Manufacturing



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

Downstream

16% Refinery

33% Oleochemical

4% Associate – Bunge Loders*

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

Efficiency Culture

Cost and production efficiency with minimal bureaucracy and flat management structure. Efficiency culture is entrenched in the mind of employees.

Sustainability Culture

Embedded within IOI's operations and Sustainability Vision. Further articulated in IOI's Sustainable Palm Oil Policy.

Innovation Culture

Apply new thinking, technology and applications to improve existing workflow and business processes.

Strong Partnerships

Strategic partnerships with leading corporations to secure market access and/or technology in downstream business.

Values We Create

People

- More motivated employees
- High quality and consistent products for customers
- Improve community livelihood

≥ 28,000 employees

Planet

- Balance growth and development with the protection of the environment

6 biogas power plants

Prosperity

- Sustainable profit for shareholders
- Better economies of scale for vendors
- Sustainable palm oil production

RM26.71 billion market capitalisation*

* as at 30 June 2019

Key Market Trends and Our Responses

TRENDS	OVERVIEW
Trend 1 Increased volatility in palm oil commodity prices	Ongoing United States ("US")-China trade war could see a reduction in US's soybean consumption and a possible spillover demand for palm oil. The proposed European Union ("EU") ban on palm oil for energy use starting from 2023, and India's frequent revision of its vegetable oils import duty could impact future palm oil demand.
Trend 2 Increased expectations for responsible and sustainable agricultural practices by corporations	Increasing stakeholder consciousness of sustainability is driving the need for corporations to conduct business responsibly from an environmental, social and economic perspective.
Trend 3 Growing demand for renewable and sustainable palm oil and palm-based products	Increasing demand for sustainably-produced palm oil has been observed in the EU via efforts such as the Amsterdam Declaration which supports a fully sustainable palm oil supply chain by 2020. Indonesia has increased its biodiesel mandate, while countries such as Japan and Korea are giving incentives to promote the usage of renewable biofuel in lieu of petroleum fuel.

As FY2019 draws to a close, heightened consumer awareness continues to drive the demand for sustainably-produced palm oil. We also witnessed the global economic uncertainty and the increasing need for corporations in the plantation business to adopt sustainable agricultural practices. The Group has identified these trends as the key factors that will impact its performance and has devised measures to address the challenges faced by IOI in the marketplace.

IMPACT	OUR RESPONSES
Trade war threats and rising protectionism have disrupted the traditional pricing process leading to price swings as high as 20% in a given year, and uncertainty of earnings in affected markets.	Focus on downstream operations to stabilise the Group's earnings and cushion the impact of volatile commodity prices. Diversify sales to more than 80 countries in FY2019 to mitigate the impact of lower income from affected markets. Position our downstream manufacturing facilities to respond to changing demand. IOI's refineries are strategically located in Sandakan (to serve the North Asian and US markets) and in Pasir Gudang (to serve the Indian sub-continent and the EU markets). Capitalise on our oleochemical plants' strategic locations. IOI's manufacturing plants at Pasir Gudang and Penang in Malaysia are located in close proximity to shipping hubs for logistical efficiencies. On top of the bulk storage in the Netherlands, our oleochemical plants at Witten and Wittenberge in Germany are well-positioned to serve EU markets.
Heightened scrutiny on oil palm plantation business that leads to greater impetus for corporations to find better and more sustainable ways to conduct business. Adoption of sustainable practices by corporations will promote branding and lead to differentiation in the marketplace.	Commit to maintain Roundtable on Sustainable Palm Oil ("RSPO"), Malaysian Sustainable Palm Oil ("MSPO") and Indonesian Sustainable Palm Oil certifications to improve stakeholder confidence. To date, IOI's estates and mills in Malaysia, except SNA Group in Indonesia, are successfully RSPO-certified. The Group will ensure the completion of MSPO certification for all our Malaysian estates and mills by end 2019. Embed sustainability practices across the organisation with industry-leading initiatives such as IOI's labour policies that support fair recruitment and decent wages. Reporting of IOI's sustainability data in programmes such as the Carbon Disclosure Project, Sustainability Policy Transparency Toolkit and FTSE4Good Bursa Malaysia Index that contribute to increased transparency and promote trust for our stakeholders.
Greater demand for sustainably produced palm oil and renewed push for shared responsibility in the uptake of sustainable palm oil as well as palm-based products along the supply chain.	Pursue leading-edge innovations to produce high-yielding clonal palms which increase oil yield per hectare and introduce measures for efficient and targeted use of fertilisers to reduce greenhouse gas emissions. Actualise traceable supply chain initiatives to increase transparency including the implementation of Group-wide SAP system to integrate both upstream and downstream operations, and the use of satellite technology to monitor for No Deforestation, No Peat and No Exploitation breaches in our direct and indirect suppliers' operations. Offer RSPO-grade oleochemical products to promote sales. In conducive markets such as Germany, IOI Oleo GmbH only offers RSPO-grade products for its personal care market segment.

Group Financial Overview

Cash flow for the financial year ended 30 June 2019 *RM million*	
Net operating cash flow	1,212.7
Capital expenditure, net of disposal	(412.1)
Free cash flow from operation	800.6
Dividends received from investments	76.9
Additional proceeds from disposal of subsidiaries	54.8
Payment from an associate, net of additional investment in an associate	1.7
Proceeds from issuance of shares	1.1
Net interest paid	(104.0)
Dividend payments	
– Shareholders of the Company	(502.8)
– Shareholders of subsidiaries	(30.9)
Cash inflow in net borrowings	297.4
Transaction cost of borrowings	(0.1)
Accretion of borrowings	(2.4)
Lease interest expenses	(3.0)
Decrease in net borrowings	291.9
Net borrowings as at 30 June 2018	(2,414.7)
Effect on adoption of MFRS 16	(51.8)
Translation difference	(132.5)
Net borrowings as at 30 June 2019	(2,307.1)

Statement of Financial Position
as at 30 June 2019 (RM million)

Property, Plant and Equipment	8,458.8
Other Long Term Assets	3,246.5
Other Short Term Assets	2,196.3
Cash and Cash Equivalents (A)	2,598.6

Equity	9,299.6
Borrowings (B)	4,905.7
Non-Controlling Interests	211.1
Other Liabilities	2,083.8

Net Borrowings = (B) – (A) = **RM2,307.1 million**
Net Gearing = **24.8%**

Note:
MFRS = Malaysian Financial Reporting Standards.

Retained earnings for the financial year ended 30 June 2019 *RM million*	
Segment results	1,040.2
Unallocated corporate net income	36.6
Profit before interest and taxation	1,076.8
Net foreign currency translation loss on foreign currency denominated borrowings and deposits	(102.1)
Net interest expenses	(102.1)
Profit before taxation	872.6
Taxation	(255.0)
Profit for the financial year	617.6
Other comprehensive loss	(0.8)
Total comprehensive income	616.8
Attributable to non-controlling interests	14.1
Total comprehensive income attributable to owners of the parent	630.9
Dividends paid	(502.8)
ESOS lapsed	2.6
Effects on adoption of MFRSs 9, 15 and 16	(40.3)
Retained earnings for the financial year	90.4
Retained earnings as at 30 June 2018	8,386.5
Retained earnings as at 30 June 2019	8,476.9

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

Property, Plant and Equipment	8,411.2
Other Long Term Assets	3,107.7
Other Short Term Assets	2,459.1
Cash and Cash Equivalents (C)	2,764.6

Equity	9,156.3
Borrowings (D)	5,179.3
Non-Controlling Interests	259.4
Other Liabilities	2,147.6

Net Borrowings = (D) – (C) = **RM2,414.7 million**
Net Gearing = **26.4%**

Group Performance Highlights

In RM million unless otherwise stated	2019	2018	+/(-) %
FINANCIAL PERFORMANCE			
Revenue from continuing operations	**7,385.6**	7,417.6	–
Profit before interest and taxation from continuing operations	**1,076.8**	1,380.6	(22)
Profit before taxation from continuing operations	**872.6**	1,570.7	(44)
Net operating profit after taxation ("NOPAT")	**750.9**	1,545.0	(51)
Net profit attributable to owners of the parent	**631.7**	3,060.5	(79)
Average shareholders' equity	**9,228.0**	8,306.9	11
Average capital employed	**15,774.0**	16,140.1	(2)
Operating margin (%)	**12.31**	16.75	(27)
Return on average shareholders' equity (%)	**6.85**	36.84	(81)
Return on average capital employed (%)	**4.76**	9.57	(50)
Basic earnings per share (sen)	**10.05**	48.70	(79)
Dividend per share (sen)	**8.0**	20.5	(61)
Net assets per share (sen)	**148**	146	2
Dividend cover (number of times)	**1.26**	2.38	(47)
Interest cover (number of times)	**5.97**	8.85	(33)
PLANTATION PERFORMANCE			
FFB production (MT)	**3,398,847**	3,514,857	(3)
Yield per mature hectare (MT)	**23.00**	23.60	(3)
Mill production (MT)			
Crude palm oil	**756,596**	757,949	–
Palm kernel	**166,716**	175,937	(5)
Oil extraction rate (%)			
Crude palm oil	**21.44**	20.90	3
Palm kernel	**4.72**	4.85	(3)
Average selling price (RM/MT)			
Crude palm oil	**2,025**	2,549	(21)
Palm kernel	**1,390**	2,252	(38)
MANUFACTURING PERFORMANCE			
Oleochemical			
Plant utilisation (%)	**82**	83	(1)
Sales (MT)	**714,131**	714,024	–
Refinery			
Plant utilisation (%)	**65**	69	(6)
Sales (MT)	**1,708,668**	2,152,800[1]	(21)

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	%	2019	%
Revenue	1,875.7	25	1,880.6	25	1,891.1	26	1,738.2	24	**7,385.6**	**100**
Operating profit	235.5	26	237.7	26	289.2	32	146.5	16	**908.9**	**100**
Share of results of associates	51.7	30	45.7	27	48.4	28	25.0	15	**170.8**	**100**
Share of result of a joint venture	–	–	(1.7)	59	(0.7)	24	(0.5)	17	**(2.9)**	**100**
Profit before interest and taxation	287.2	27	281.7	26	336.9	31	171.0	16	**1,076.8**	**100**
Interest income	16.0	22	23.7	32	17.5	24	16.2	22	**73.4**	**100**
Finance costs	(46.9)	27	(43.6)	25	(46.2)	26	(38.8)	22	**(175.5)**	**100**
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings and deposits	(61.1)	60	(22.8)	22	57.2	(56)	(75.4)	74	**(102.1)**	**100**
Profit before taxation	195.2	22	239.0	28	365.4	42	73.0	8	**872.6**	**100**
Taxation	(54.0)	21	(43.4)	17	(125.4)	49	(32.2)	13	**(255.0)**	**100**
Profit after taxation	141.2	23	195.6	31	240.0	39	40.8	7	**617.6**	**100**
Attributable to:										
Owners of the parent	143.8	23	195.5	31	245.8	39	46.6	7	**631.7**	**100**
Non-controlling interests	(2.6)	19	0.1	(1)	(5.8)	41	(5.8)	41	**(14.1)**	**100**
	141.2	23	195.6	31	240.0	39	40.8	7	**617.6**	**100**
Basic/Diluted earnings per share (sen)	2.29		3.11		3.91		0.74		**10.05**	
Profit before interest and taxation on segmental basis										
Plantation	149.5	31	117.3	25	132.6	27	84.5	17	**483.9**	**100**
Resource-based manufacturing	129.2	23	139.3	25	196.6	36	88.3	16	**553.4**	**100**
Other operations	(0.1)	(3)	3.2	110	(1.9)	(66)	1.7	59	**2.9**	**100**
	278.6	27	259.8	25	327.3	31	174.5	17	**1,040.2**	**100**
Unallocated corporate income/(expenses)	8.6	24	21.9	60	9.6	26	(3.5)	(10)	**36.6**	**100**
	287.2	27	281.7	26	336.9	31	171.0	16	**1,076.8**	**100**

FINANCIAL CALENDAR

FINANCIAL YEAR END	**30 June 2019**
ANNOUNCEMENT OF RESULTS	
1st Quarter	12 November 2018
2nd Quarter	20 February 2019
3rd Quarter	21 May 2019
4th Quarter	15 August 2019
Notice of Annual General Meeting	27 September 2019
Annual General Meeting	25 October 2019

PAYMENT OF DIVIDENDS		
1st Interim	Declaration	20 February 2019
	Entitlement	12 March 2019
	Payment	22 March 2019
Proposed payment of final dividend*	Declaration	25 October 2019
	Entitlement	11 November 2019
	Payment	22 November 2019

* The final dividend is subject to shareholders' approval at the forthcoming 50th Annual General Meeting.

Five-Year Financial Highlights

In RM million unless otherwise stated	2019	2018	2017	2016	2015
RESULTS					
Continuing operations					
Revenue	**7,385.6**	7,417.6	7,249.3	11,739.3	11,541.5
Profit before interest and taxation	**1,076.8**	1,380.6	1,401.4	1,459.6	1,237.6
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings and deposits	**(102.1)**	318.3	(273.8)	(328.5)	(732.5)
Net interest expenses	**(102.1)**	(128.2)	(144.6)	(165.3)	(188.7)
Profit before taxation	**872.6**	1,570.7	983.0	965.8	316.4
Taxation	**(255.0)**	(334.0)	(292.7)	(319.5)	(261.6)
Profit for the financial year from continuing operations	**617.6**	1,236.7	690.3	646.3	54.8
Discontinued operations					
Profit for the financial year from discontinued operations	**–**	1,831.6	75.8	–	–
Profit for the financial year	**617.6**	3,068.3	766.1	646.3	54.8
Attributable to:					
Owners of the parent	**631.7**	3,060.5	743.2	629.7	51.9
Non-controlling interests	**(14.1)**	7.8	22.9	16.6	2.9
ASSETS[1]					
Property, plant and equipment	**8,458.8**	8,411.2	10,086.9	9,999.3	9,765.5
Investments in associates	**2,610.1**	2,491.1	1,121.1	937.5	812.7
Other non-current assets	**636.4**	616.6	781.7	767.7	699.0
	11,705.3	11,518.9	11,989.7	11,704.5	11,277.2
Current assets	**4,794.9**	5,223.7	6,035.0	5,851.6	5,171.3
	16,500.2	16,742.6	18,024.7	17,556.1	16,448.5
EQUITY AND LIABILITIES					
Share capital	**788.1**	786.7	783.8	646.2	645.9
Reserves	**8,511.5**	8,369.6	6,673.6	6,491.9	6,423.1
	9,299.6	9,156.3	7,457.4	7,138.1	7,069.0
Non-controlling interests	**211.1**	259.4	261.3	278.9	274.1
Total equity	**9,510.7**	9,415.7	7,718.7	7,417.0	7,343.1
Non-current liabilities	**5,766.9**	5,544.5	6,666.4	6,314.7	7,240.1
Current liabilities	**1,222.6**	1,782.4	3,639.6	3,824.4	1,865.3
Total liabilities	**6,989.5**	7,326.9	10,306.0	10,139.1	9,105.4
	16,500.2	16,742.6	18,024.7	17,556.1	16,448.5
Net operating profit after tax ("NOPAT")	**750.9**	1,545.0	917.8	812.4	266.0
Average shareholders' equity	**9,228.0**	8,306.9	7,297.8	7,103.6	7,628.3
Average capital employed[2]	**15,774.0**	16,140.1	16,335.6	15,802.9	16,432.4
FINANCIAL STATISTICS					
Basic earnings per share (sen)	**10.05**	48.70	11.82	9.99	0.82
Dividend per share (sen)	**8.0**	20.5	9.5	8.0	9.0
Net assets per share (sen)	**148**	146	119	114	112
Return on average shareholders' equity (%)	**6.85**	36.84	10.18	8.86	0.68
Return on average capital employed (%)	**4.76**	9.57	5.62	5.14	1.62
Net debt/Equity (%)[3]	**24.81**	26.37	78.07	76.25	68.75
SHARE PERFORMANCE					
Market share price (RM):					
– Highest	**4.74**	4.88	4.81	5.04	5.28
– Lowest	**4.10**	4.31	4.21	3.70	3.91
– Closing	**4.25**	4.54	4.45	4.34	4.06
Trading volume (million)	**563**	1,032	1,111	1,584	1,200
Market capitalisation	**26,709.7**	28,531.2	27,963.2	27,290.8	25,664.7

Notes:

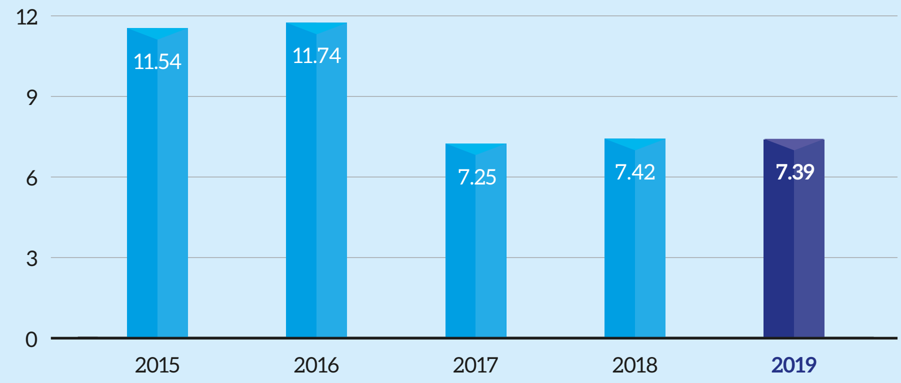
1 The Assets of FY2016 include Assets of disposal group held for sale.

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 and lease liabilities less short term funds, deposits with financial institutions and cash and bank balances.

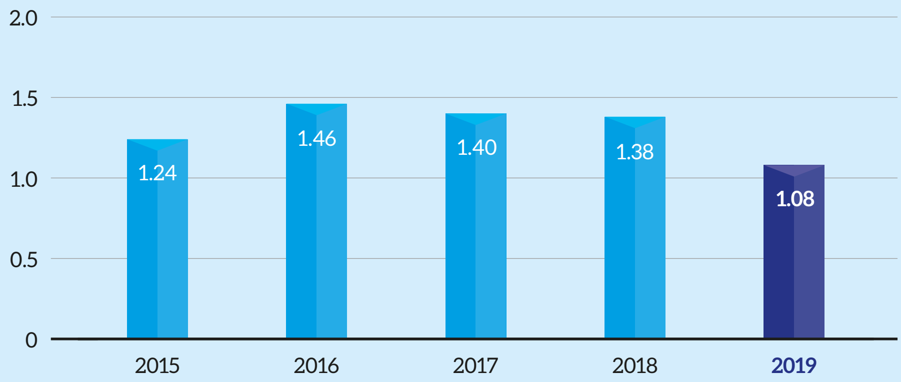
Revenue[1]

RM billion



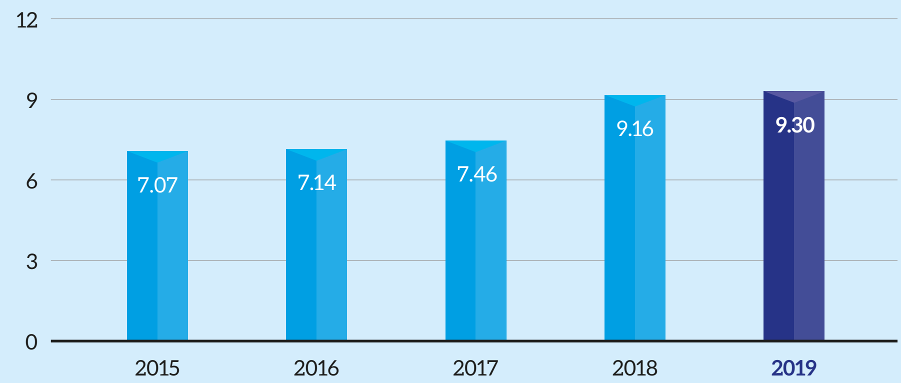
Profit before Interest and Taxation[1]

RM billion



Shareholders' Equity

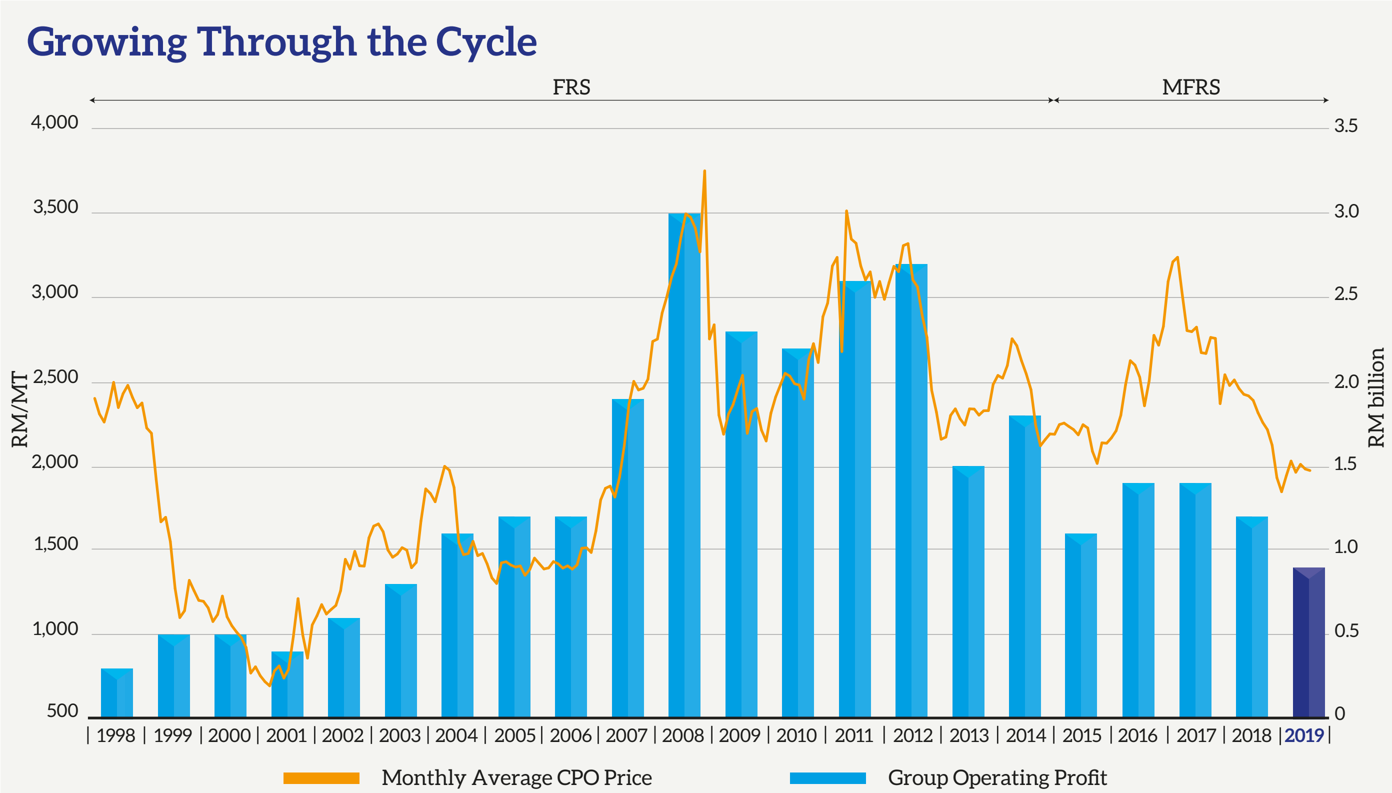
RM billion



Note:

[1] The revenue and profit before interest and taxation for FY2018 and FY2017 exclude results arising from discontinued operations.

Group Financial Review



Note:
In conjunction with the adoption of Malaysian Financial Reporting Standards ("MFRS") framework by the Group, the above information from FY2015 to FY2019 have been prepared in accordance with MFRS, whereas information from FY1998 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

		2019	2018	Change %
Earnings before interest and taxation ("EBIT") from continuing operations	*RM million*	**1,076.8**	1,380.6	(22)
Pre-tax earnings from continuing operations	*RM million*	**872.6**	1,570.7	(44)
Net earnings	*RM million*	**631.7**	3,060.5	(79)
Return on average shareholders' equity ("ROE")	*%*	**6.85**	36.84	(81)
Return on average capital employed ("ROCE")	*%*	**4.76**	9.57	(50)
Net operating profit after taxation ("NOPAT")	*RM million*	**750.9**	1,545.0	(51)
Total returns to shareholders				
– Capital appreciation per share	*RM*	**(0.29)**	0.09	nm
– Dividend per share	*sen*	**8.0**	20.5	(61)
Net cash flow generated from operation	*RM million*	**1,212.7**	1,368.8	(11)
Net gearing	*%*	**24.8**	26.4	(6)

Note:
nm = not meaningful

FINANCIAL HIGHLIGHTS AND INSIGHTS

- The Group's revenue from continuing operations of RM7.39 billion for FY2019 is marginally lower than RM7.42 billion for FY2018. The decrease in revenue is due mainly to the plantation segment, mitigated by higher sales volume from the resource-based manufacturing segment.

- At Group level, the results for FY2019 versus FY2018 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:

	2019 ***RM million***	**Mix %**	2018 *RM million*	Mix %	Change %
Plantation	**483.9**	**45**	1,010.1	73	(52)
Resource-based manufacturing	**553.4**	**51**	384.0	27	44
Total	**1,037.3**	**96**	1,394.1	100	(26)
Others including unallocated corporate income/(expenses)	**39.5**	**4**	(13.5)	–	nm
Continuing operations	**1,076.8**	**100**	1,380.6	100	(22)

Note:
nm = not meaningful

- The plantation segment's EBIT decreased by 52% to RM483.9 million, due mainly to lower CPO and PK prices realised as well as lower FFB production.

- The resource-based manufacturing segment's EBIT increased by 44% to RM553.4 million. The better performance is contributed by higher contribution from all sub-segments and higher share of associate results from Bunge Loders Croklaan Group B.V..

- **Pre-tax Earnings** decreased by 44% over the last financial year, mainly due to lower operating profit and total net foreign currency translation loss on foreign currency denominated borrowings and deposits amounted to RM102.1 million (FY2018 – gain of RM318.3 million).

- At the **Net Earnings level**, profit attributable to owners of the parent decreased to RM631.7 million. The significant decrease of the net earnings is due mainly to lower EBIT as explained in the foregoing paragraphs as well as no material disposal gain in FY2019. In FY2018, the Group recognised a disposal gain of RM1.68 billion arising from the divestment of Loders Croklaan Group B.V. as disclosed in Note 12.1 to the financial statements.

- The Group's **Interest Cover** of continuing operations was 6.0 times (FY2018 – 8.9 times).

- With the decrease of net earnings, the Group recorded a **ROE** of 6.85% for FY2019 based on an average shareholders' equity of RM9,228.0 million (FY2018 – RM8,306.9 million), as compared to 36.84% recorded in the previous financial year.

- With the decrease of NOPAT, the **ROCE** decreased from 9.57% for FY2018 to 4.76% for FY2019.

- 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.

FINANCIAL HIGHLIGHTS AND INSIGHTS (continued)

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

	2019 RM million	2018 RM million
Cash dividend	**502.8**	1,288.3
Total equity repayments	**502.8**	1,288.3

- The Group generated an **Operating Cash Flow** of RM1,212.7 million for FY2019 against RM1,368.8 million for FY2018. Similarly, **Free Cash Flow** decreased from RM928.3 million to RM800.6 million due mainly to decrease in operating profit.
- As for the cash and cash equivalents, it decreased from RM2.8 billion reported in FY2018 to RM2.6 billion reported in FY2019, due mainly to lower Operating Cash Flow as explained above as well as repayments of borrowings and dividend payments.
- The inventory turnover days for FY2019 has decreased to 46 days, as compared to inventory days of 61 days for FY2018.
- The trade receivables turnover days of 27 days for FY2019 is in line with the trade receivables turnover days of 26 days for FY2018.
- The net gearing ratio of the Group was reduced from 26.4% in FY2018 to 24.8% in FY2019.
- The Group's **Shareholders' Equity** as at 30 June 2019 stood at RM9.3 billion, an increase of RM0.1 billion or 2% over the previous financial year. The increase was mainly due to net earnings of RM0.6 billion, offset by total dividend payment of RM0.5 billion during the financial year.
- For FY2019, the Group spent a total of RM424.7 million (FY2018 – RM449.0 million) for **Capital Expenditure ("Capex")**.

RETURNS TO SHAREHOLDERS

An interim cash dividend and a final cash dividend totalling 8.0 sen per ordinary share amounting to a total payout of RM502.8 million were declared/proposed for FY2019.

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 2019, 76,000 IOIC Shares worth RM323,000 based on IOIC Share price of RM4.25 and 55,417 IOI Properties Group Berhad Shares ("IOIPG Shares") worth RM76,475 based on IOIPG Share price of RM1.38. 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 17.3% for each of the 39 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 2019 stood at RM2.6 billion, and a net gearing ratio of 24.8%.

Management's Discussion and Analysis

Group Business Review

Plantation is the core business of the Group which engages in the cultivation of oil palm and processing of palm oil, with operations in seed breeding, cultivation and crop oil extraction. With more than 90 estates in Malaysia and Indonesia, IOI continues its growth by sustaining the efficiency and productivity of its operations.

Plantation

Driving Innovation and Modernisation of Upstream Operations

IOI is driving toward digitalisation and modernisation of its upstream business under a five-year roadmap. The objective is to reduce dependency on labour and increase productivity and operational efficiency to sustain our reputation as a leading global integrated palm oil player. The Group's steadfast investments in agronomic research, production of superior planting materials and human resource talents underscore our commitment to explore new opportunities to grow our upstream business so we can create new values for our stakeholders and the palm oil value chain.

Total Planted Area#
177,279
Hectares

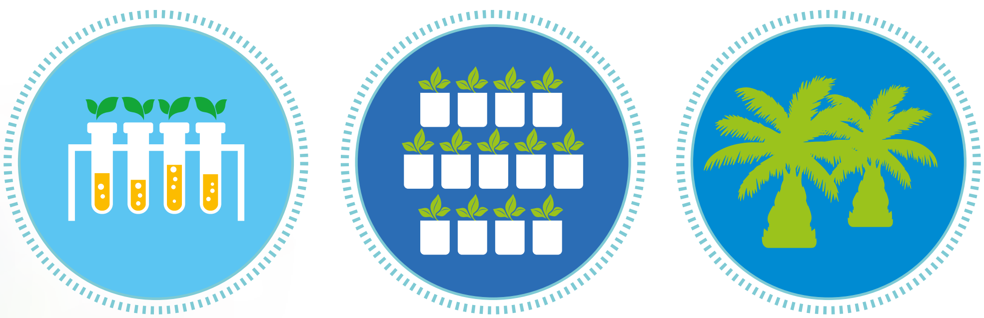
Oil Palm Estates
96

Planted with Oil Palm
99%

Palm Oil Mills
15

Annual Milling Capacity
4.6
Million MT of FFB

Total Workforce*
>23,000



Excludes area owned by associate companies.
* Total number of estate and mill workers.

IOI Plantation's Strategy

Our Strategy in Action FY2019

Our Principal Objective

To deliver sustainable long-term return to our shareholders and drive sustainable innovation in upstream operations.

People Capital Development

Emphasised development of senior and middle management talent with coaching values instilled.

Enabled employees to earn higher than Malaysian Minimum Wages Order and offered above the minimum remuneration package to retain employee talent pool.

Invested RM16 million to improve the quality of employees' living environment with ongoing renovation and upgrading of employee housing.

Economies of Scale

Continued focus on innovation to improve productivity and efficiency.

Introduced various in-field mechanisation methods in phases to reduce dependency on labour and raise productivity.

Sustainable Growth

Continued efforts in expanding landbank and exploring new business opportunities.

Accelerated replanting programme from Group-wide average of 3% to 6%.

Adopted cutting-edge technology for oil palm research and development ("R&D").

Driving Innovations

Implemented an innovative Electronic Plantation Monitoring System ("ePMS").

Streamlined business processes via SAP Enterprise Resource Planning ("ERP") system deployment.

Integrated diverse stand-alone systems through ONE IOI Integrated Platform.

OPERATIONS REVIEW

The Group's total planted area (including subsidiary companies) stood at 177,279 hectares (FY2018 — 175,290 hectares) and its associate companies at 130,278 hectares (FY2018 — 131,161 hectares). Approximately 99% of total planted area is planted with oil palm.

The Group has 96 estates with a total oil palm planted area measuring 176,156 hectares as at the end of the financial year under review. Approximately 64% of the Group's oil palm plantation holdings are in East Malaysia, 25% in Peninsular Malaysia and the remaining 11% in Indonesia.

The Group's plantation produce is principally processed by its 15 palm oil mills with an annual milling capacity of approximately 4.6 million MT of fresh fruit bunches ("FFB"). Around 84% of total planted oil palm are classified as mature. The total weighted average palm age is 14 years.

As at 30 June 2019, the total FFB production for the Group in the reporting year was 3.4 million MT as compared to 3.5 million MT for FY2018. FFB yield recorded during the reporting year came in at 23.00 MT per hectare as compared to 23.60 MT per hectare in the previous year. The lower FFB yield is primarily due to the downtrend of crops during the first and second quarters of the year and slow recovery from previous prolonged dry weather. The Group's operations recorded a higher oil extraction rate ("OER") of 21.4% as compared to 20.9% in the previous year, largely attributable to higher yielding planting materials that boost oil yields and productivity.

The Indonesian operations registered a growth of more than 36.5%. The strong growth in FFB production in Indonesia is due to young palms coming to maturity that has helped to cushion the adverse impact of Malaysia's lower production output, leading to an overall marginal decrease of 3% in the Group's FFB production.

Our Strategy Moving Forward

Vision

To be a global integrated and sustainable palm oil player

We will continue striving to achieve excellence in execution to satisfy our stakeholders' needs via the following thrusts:

1 Business Process Improvements

Continuing to take proactive steps to improve mill and estate operational efficiency.

2 Technology Innovations

Championing digital transformation to streamline and achieve greater efficiencies across the plantation segment.

3 People Development

Unlocking value through performance excellence with talent development, worker retention and welfare amenities programmes.

4 Research and Development

Innovating to produce high-yielding oil palm clones.

5 Business Growth

Creating long-term value and maximising our return through strategic landbank acquisitions while exploring potential contributions from other palm-based products.

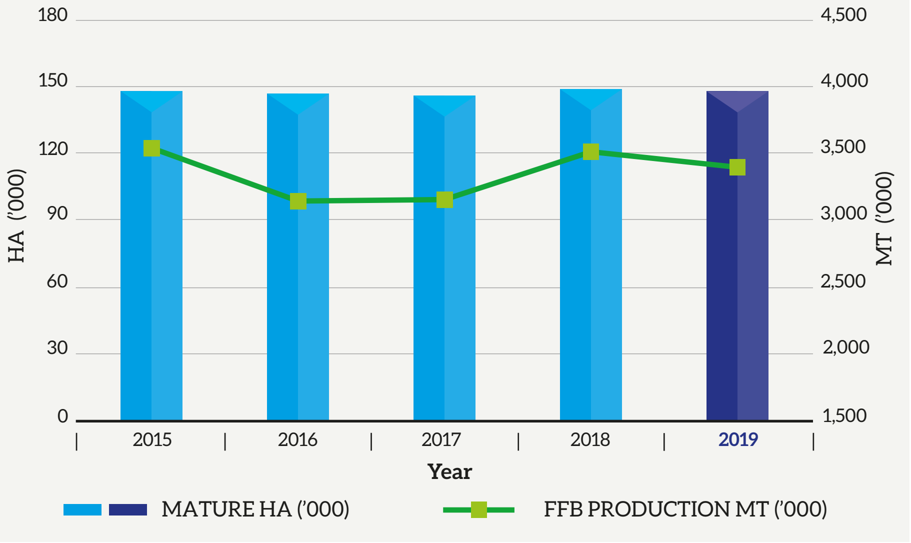
6 Governance and Sustainability

Continuing efforts in palm oil sustainability and traceability, safeguarding workers' rights and welfare.

Depressed crude palm oil ("CPO") prices in FY2019 hit a 10-year low of RM1,800/MT while the trade war between United States ("US") and China and higher CPO stocks in the second and third quarters weighed down further on soybean and CPO prices.

The Group's plantation segment profit declined by 52% to RM483.9 million as compared to RM1,010.1 million in the previous year, due to a significant slump in CPO and palm kernel ("PK") realised selling prices by 21% and 38% respectively. This resulted in lower plantation segment revenue at RM1.772 billion in FY2019, 25% lower year-on-year as compared to RM2.353 billion previously.

Average Mature Oil Palm Area Harvested/ FFB Production



For FY2019, the Group's best performing estate was Kahang Estate in Johor which achieved a yield of 7.17 MT of CPO per hectare, followed by Merchong Estate and Mamor Estate with yields of 7.00 MT and 6.86 MT of CPO per hectare respectively.

CAPITAL EXPENDITURE

The segment spent a total of RM279.1 million in capital expenditure for FY2019 as compared to RM233.2 million in FY2018. This was primarily incurred on Indonesia's milling expansion, replanting, new plantings of oil palm, construction of staff quarters and acquisition of agricultural equipment and vehicles.

Over the next five years, our estates will proceed to accelerate the replanting of the least productive tall palm areas. The aim is to improve the age profile of the palms whilst planting high-yielding material in order to impart a significant boost to plantation productivity.
In FY2019, approximately 4.7% of total planted hectares (8,333 hectares) were replanted in the Malaysian operations. We expect 6.2% (11,007 hectares) of planted areas to undergo the same in FY2020, mainly in the Sabah estates.

As for the Indonesian operations, 2,880 hectares (including plasma) have been planted in FY2019 with the balance of 3,739 hectares targeted for completion in FY2020.

ESTATE MECHANISATION

IOI is embarking on a revitalised mechanisation plan which is critical to drive higher productivity and cost reduction. In April 2019, pilot projects on the FFB Main Line Evacuation were initiated successfully in Gomali Estate and Permodalan 3 Estate. These pilot projects will be replicated to other estates with a target completion time frame of three years throughout the Group.

We will continue to explore new initiatives to introduce more innovative mechanisation for higher work excellence and improved productivity, which includes a project in the pipeline to integrate the FFB Main Line Evacuation with the Mechanical Assisted Infield Collection. This will enhance the efficiency of harvesting operations and provide high quality FFB to mills by increasing worker productivity and assist operating units to manage harvesting intervals better.

RESEARCH AND DEVELOPMENT

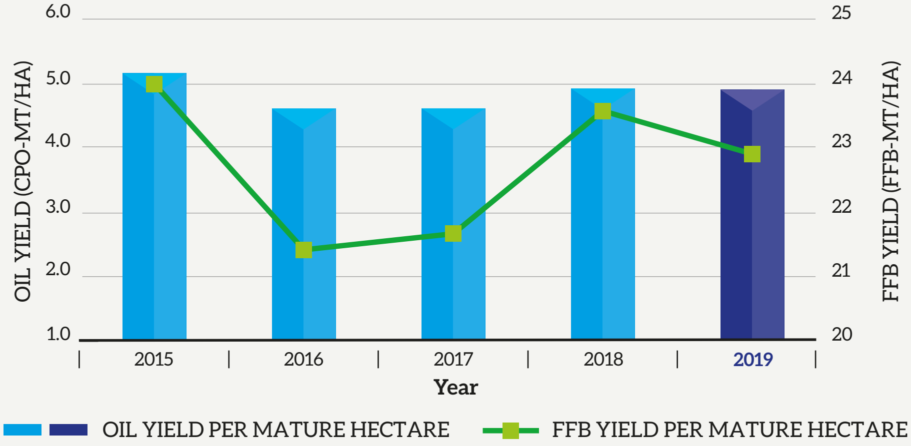
IOI Palm Biotech Centre was established for the biotechnological advancement of palm oil yield and quality improvement through innovative R&D to produce superior high-yielding oil palm clones using its cutting-edge tissue culture technology developed in-house since the late 1980s. Millions of these high-yielding clones have been produced and replanted in IOI's estates.

ACHIEVEMENTS

Since early 2019, OER averaging more than 24% has been obtained in mills that are receiving FFB crops supplied by estates planted with high-yielding clonal palms comprising between 30% to 50% of total hectarage.
This works out to a 14.8% increase in oil yield as compared to estates that are planted with a higher percentage of conventional Dura x Pisifera ("DxP") seedling-originated oil palms, with OER averaging only 20.9% in FY2018.

This encouraging trend of higher oil yields is a positive affirmation of IOI's continuous drive to boost plantation productivity and sustainability through biotechnological innovation. We expect this upward trend to continue, as more clonal palms come into maturity and reach prime age, and with more areas continuing to be replanted with high-yielding clonal palms in the near future.

Oil Yields and FFB Yields



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

	FY2019 RM '000	FY2018 RM '000
MPOB cess	**9,300**	9,445
Windfall profit levy	–	3,130
Sabah sales tax	**71,196**	89,146
	80,496	101,721

STRATEGIC ACTION PLAN IN BREEDING AND TISSUE CULTURE

SHORT TERM	i) Oil Palm Genome project for Marker Assisted and Genome Selection Breeding for oil palm improvement. ii) Identification and breeding of low lipase material.
MEDIUM AND LONG TERM	i) Development of Ganoderma disease-tolerant palms and mining for Quantitative Trait Locus/ Biomarkers for palms with low stem height. ii) Continuous exploiting of potential breeding germplasm through the incorporation of molecular and genomic research into the breeding programme.

IOI Research Centre's team of agronomists remains actively involved in conducting various studies and analyses, with the principal objective of maintaining high production and yield in the Group's plantation through the application of smart agronomics. Currently, the team's efforts are focused on restoring the soil fertility of IOI's estates, in line with the Group's commitment towards sustainable palm oil production.

Key areas of interest include studies pertaining to the health of soil microbes and the enhancement of beneficial microbe-palm relationships. This could effectively reduce the need for excessive usage of chemical fertilisers while keeping the population of pathogens under control. The Geographical Information System department at IOI Research Centre uses geospatial technology derived from images captured using Unmanned Aerial Vehicle ("UAV") and Global Positioning System ("GPS") tracking for precision agriculture.

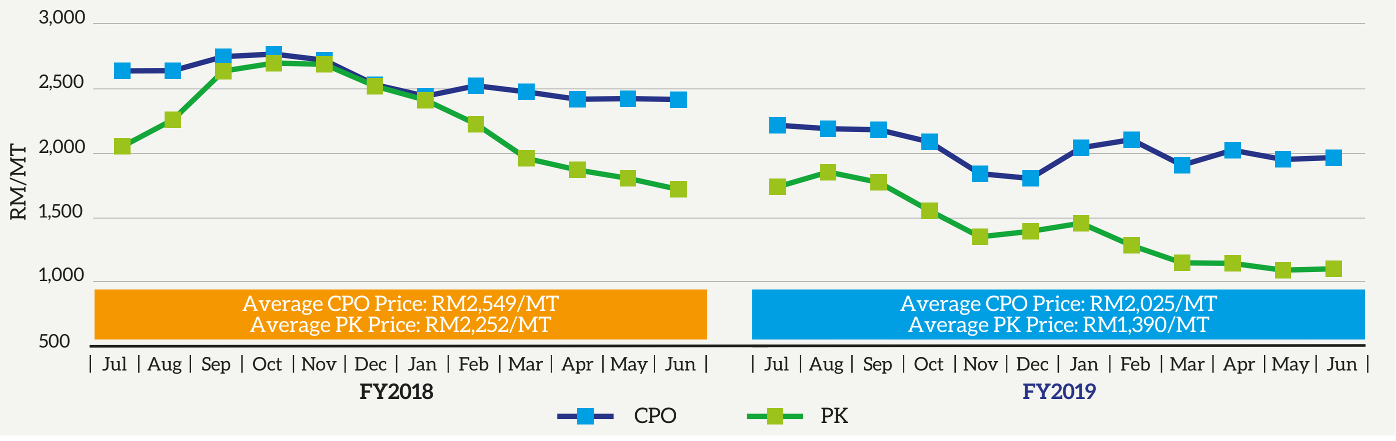
Other innovative technologies in the pipeline include Infrared Photoimaging using UAV for palm health screening, high accuracy palm counting/census using High Definition Imaging and near-infrared camera installation on fixed-wing drones to identify palms showing nutrient deficiency, moisture stress, and disease outbreak. IOI Research Centre also conducts collaborative research with local universities through postgraduate scholarships offered by Yayasan Tan Sri Lee Shin Cheng to enhance R&D development in sustainable oil palm plantation management.

OUTLOOK AND PROSPECTS

Palm oil prices for FY2019 were pressured by high stocks accumulated from previous year's high production. Sentiments were also affected by the US-China trade war and geopolitical tension in the Middle East.

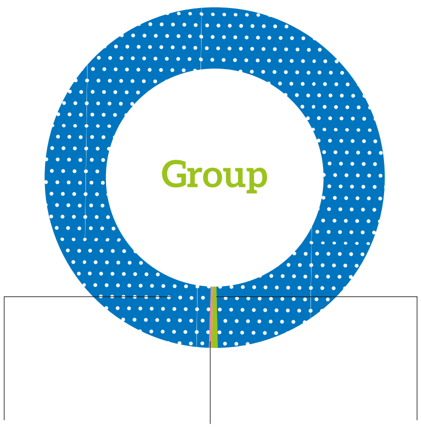
During FY2020, we expect production to normalise with stocks at a manageable level. Government initiatives to encourage exports and increase domestic biodiesel consumption are expected to provide support for prices.

CPO and PK Price Trend



PLANTATION STATISTICS

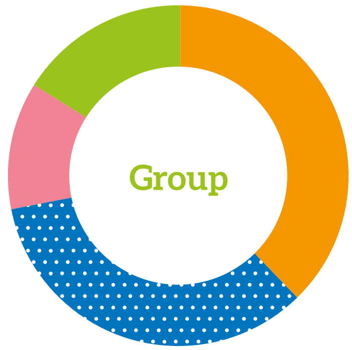
Crop Mix



Oil Palm	Rubber	Others
176,156 Ha	475 Ha	648 Ha
99.3%	0.3%	0.4%

Total Planted Area = **177,279 Ha**

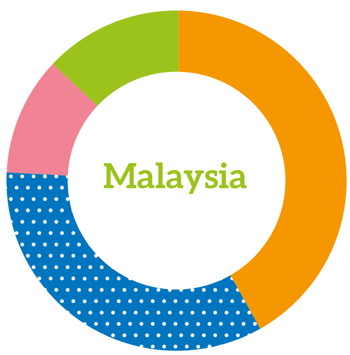
Oil Palm Hectarage by Age (Group)



Immature	16%
Young	12%
Prime	34%
Past Prime	38%

Total Oil Palm Planted Area = **176,156 Ha**

Oil Palm Hectarage by Age (Malaysia)



Immature	13%
Young	11%
Prime	34%
Past Prime	42%

Total Oil Palm Planted Area = **156,957 Ha**

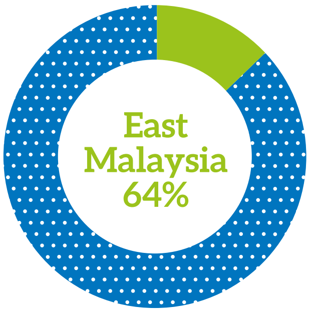
Oil Palm Hectarage by Age (Indonesia)

Immature	41%
Young	23%
Prime	36%

Total Oil Palm Planted Area = **19,199 Ha**

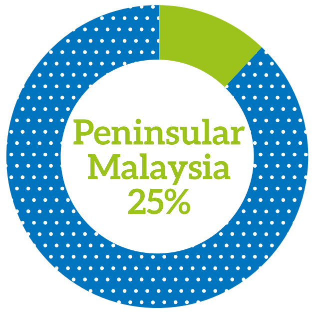
Approximately 46% or 81,708 hectares of our total oil palm planted area of 176,156 hectares comprise young and prime palms, while 38% or 66,287 hectares consist of past prime palms that are above 21 years of age. These palms will be replanted progressively with new planting materials under the replanting programme.

Oil Palm Hectarage by Region



●	Immature	15,180 Ha	13%
●	Mature	98,441 Ha	87%

Total Oil Palm Planted Area = **113,621 Ha**



●	Immature	5,077 Ha	12%
●	Mature	38,259 Ha	88%

Total Oil Palm Planted Area = **43,336 Ha**

●	Immature	7,904 Ha	41%
●	Mature	11,295 Ha	59%

Total Oil Palm Planted Area = **19,199 Ha**

CROP STATEMENT

	2019	2018	2017	2016	2015
OIL PALM					
Average mature area harvested (Ha)	**147,770**	148,934	145,704	146,912	147,661
FFB production (MT)	**3,398,847**	3,514,857	3,155,628	3,145,317	3,542,222
Yield per mature hectare (MT)	**23.00**	23.60	21.66	21.41	23.99
Mill production (MT)					
Crude palm oil	**756,596**	757,949	691,184	697,334	781,625
Palm kernel	**166,716**	175,937	155,426	163,520	187,718
Oil extraction rate (%)					
Crude palm oil	**21.44**	20.90	21.28	21.55	21.49
Palm kernel	**4.72**	4.85	4.79	5.05	5.16
Average Selling Price (RM/MT)					
Crude palm oil	**2,025**	2,549	2,766	2,249	2,221
Palm kernel	**1,390**	2,252	2,691	1,740	1,551

AREA STATEMENT

In Hectares	2019	2018	2017	2016	2015
OIL PALM					
Mature	**147,995**	154,613	149,714	148,166	149,749
Immature	**28,161**	19,621	24,682	31,105	29,019
	176,156	174,234	174,396	179,271	178,768
RUBBER					
Mature	**415**	415	415	282	–
Immature	**60**	60	55	188	470
	475	475	470	470	470
Others	**648**	581	581	581	584
Total planted area	**177,279**	175,290	175,447	180,322	179,822
Nursery	**206**	229	142	143	143
Estate under development	**8,382**	8,382	8,582	9,263	8,235
Labour lines, building sites and others	**32,070**	34,018	33,746	28,189	18,718
Total area	**217,937**	217,919	217,917	217,917	206,918

Group Business Review

The Group's global resource-based manufacturing business plays an important role in fortifying 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. With our local and international manufacturing facilities, we are well-equipped to meet the needs of our customers worldwide.

Resource-Based Manufacturing

Enhancing Sustainable Value

IOI is enhancing its sustainable value creation in its downstream resource-based manufacturing business by continually investing in new technologies to produce high value-added palm oil derivatives to meet the growing consumer demand for palm-based products. Through new facilities and formulations, IOI is also capitalising on growth opportunities to expand its various businesses and maximise its potential to generate revenue and long-term business sustainability.

Manufacturing Facilities*
6

Combined Annual Refining Capacity*
1.8
Million MT

Export to over
80
Countries Worldwide

* Excludes associate company.

Group Business Review – Resource-Based Manufacturing

IOI Edible Oils Sdn Bhd's Sandakan complex is equipped with security enhancement such as the Barrier Gate System.

REFINING

The Group has two wholly-owned refineries in Malaysia with a combined annual capacity of about 1.8 million MT. One is located in Pasir Gudang, Johor and the other is in Sandakan, Sabah. Both refineries are closely located to our plantations and mills, and along major shipping routes with direct port access.

These refineries produce palm and palm kernel oil fractions for domestic and export markets 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/ISO 45001 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 production on a large scale. Our Sandakan refinery has also attained its International Sustainability and Carbon Certificate ("ISCC") since 2012. In 2019, both of our refineries passed the audit for the Malaysian Sustainable Palm Oil ("MSPO") certification scheme.

With the Group's integrated business model, our refineries play a pivotal role in the storage, processing and distribution of palm oil and palm kernel oil products. This enables us to realise significant 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 downstream oleochemical products such as fatty esters and specialty derivatives. These versatile products are used in a wide variety of applications from industrial sectors such as automotive, mining and plastic to food, nutrition, pharmaceutical and cosmetic.

Our oleochemical products are exported to more than 80 countries worldwide. Our main customers are located in Japan, China, Europe and the United States, which include some of the world's most esteemed and well-known multinational corporations.

The Group undertakes oleochemical manufacturing activities in four manufacturing sites. Two of the manufacturing sites are located in Peninsular Malaysia while the other two sites are in Germany. Our total combined production output is about 780,000 MT per annum. The Penang and Johor plants are exclusively based on palm oil whereas the Germany plants use mainly palm oil supplemented by other vegetable oils such as coconut oil, rapeseed oil and sunflower oil. These plants complement and add value to each other through technical know-how collaborations and application of basic oleochemicals into niche derivatives.

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 and ISO 50001 certifications, the Penang, Johor and Wittenberge sites have received the Food Safety System Certification ("FSSC") 22000 on food safety management, and the Witten site is certified by the European Union-Good Manufacturing Practice ("EU-GMP") for the production of Active Pharmaceutical Ingredients ("API").

We continue to lead with exemplary industry-leading Responsible Care practices. Our Malaysian sites were recently honoured yet again with 11 Responsible Care Awards by the

IOI Oleo GmbH in Germany continuously explores new and innovative oleochemical niche derivatives to move up the product value chain.

IOI Esterchem (M) Sdn Bhd's P5000 plant in Prai, Penang manufactures high quality esters for the cosmetic industry.

Chemical Industries Council of Malaysia ("CICM"), recognising excellence in Employee Health & Safety, Process Safety, Pollution Prevention, Community Awareness & Emergency Response and Distribution Codes.

SPECIALTY OILS AND FATS

The specialty oils and fats manufacturing business of the Group is carried out by our 30%-owned associate company, Bunge Loders Croklaan Group B.V. ("Bunge Loders"), a manufacturer of products which are used in a variety of applications, from confectionery and bakery to culinary and infant nutrition.

Our strategic partnership with Bunge Limited ("Bunge") continues to be a natural match, and the synergy enables IOI to get better access to the soft oils market and allow Bunge Loders to capture the growing global market for blended oils. Another important aspect of the partnership is Bunge's global presence, particularly in South America and South Asia.

OPERATIONS REVIEW

The resource-based manufacturing segment reported a profit of RM553.4 million for FY2019, which was 44.1% higher than the reported profit of RM384.0 million in FY2018. The better performance was contributed mainly by higher contribution from the refining and oleochemical sub-segments, and higher share of associate results from Bunge Loders, which was taken up as discontinued operations in FY2018 prior to the completion of divestment of Loders Croklaan Group B.V..

The details of the segmental contribution are as follows:

The primary refining sub-segment achieved better performance, helped by the preferential duty advantage for Malaysian refined oils into India and increased palm oil production. Refining margins returned in the second half of the financial year despite the absence of the crude palm oil export duty.

Group Business Review – Resource-Based Manufacturing

Officiating Bunge Loders' new state-of-the-art processing plant in Xiamen to meet the growing demand in China.

Our main export markets are the United States, Pakistan, India and China.

The oleochemical sub-segment was able to sustain a solid performance mainly on the back of lower and stable prices of palm oil and palm kernel oil during the period under review. Higher sales volumes and stable margins enabled the fatty acid and glycerine business to contribute significantly to the profitability of the oleochemical sub-segment.

On the other hand, the soap noodles business faced stiff competition, particularly from Indonesian producers, which resulted in lower sales volume and eroded margins. The specialty ester business recorded a commendable performance due to higher demand and improved margins. Having further grown its market share, the business has managed to position itself as one of the global key players in the industry. The specialty ester business is also complemented by our European unit's know-how and market expertise.

The European business achieved very significant margin improvements especially in the pharmaceutical and nutrition categories despite nominal increase in sales volume. Overall, the oleochemical sub-segment recorded a robust performance in FY2019.

Our share of associate results from Bunge Loders' FY2019 was RM44.9 million as compared to RM17.2 million for FY2018. The difference was attributed to a full-year recognition of results in FY2019 as compared to four months of results in FY2018. In addition, the overall higher performance in FY2019 was mainly due to the improved margins which were partially offset by slower demand in the confectionery business in Europe and lower sales volume in the first half of FY2019.

Bunge Loders' new shea solvent fractionation plant in Ghana, which was commissioned in May 2019, will enhance Bunge Loders' shea supply chain, and give it a competitive position in the high-margin Cocoa Butter Equivalents ("CBE") business.

Meanwhile, Bunge Loders' state-of-the-art processing plant in Xiamen, China, which was officially opened in July 2019, has facilitated Bunge Loders' ability to deliver plant-based specialty oils and fats ingredients for the food and food service industries to meet the growing demand in China.

OUTLOOK AND PROSPECTS

The relatively low palm oil and palm kernel oil prices, in spite of the expected increase in FY2020, will continue to provide support to the palm-based oleochemical business.

However, we are maintaining a cautiously optimistic view for the oleochemical sub-segment due to global growth uncertainty. Continued trade frictions between United States and China will likely curtail global growth and slow down demand for our products that are being used in diverse applications across all industries and countries. We anticipate that glycerine prices will soften given the expectation of

Filling products into bulk bags at IOI Oleochemical's Prai site.


The fully-automated consumer pack filling line at IOI Pan-Century Edible Oils Sdn Bhd enhances production efficiency.

increased global biodiesel production in Latin America and Indonesia, which produces glycerine as a by-product.

Nevertheless, the Group has established a strong position and reputation in the international oleochemical market. We are confident in our ability to protect our margins. We will continue to drive product differentiation strategy in our specialty ester business, namely in our pharmaceutical and personal care categories. Our continued investments in the new fully-automated API filling system and personal CARE Studio will enhance this strategy. Coupled with our continual focus on operational excellence and cost efficiency across all our plants and operations, we will strive to maintain our overall profitability.

Bunge Loders is anticipated to sustain its good performance in FY2020 with higher volume in the confectionery and infant nutrition categories, coupled with more commercial synergies materialising from the integration of the Group into Bunge's edible oils business. Both Ghana and Xiamen plants are expected to contribute positively to the Group in the future. IOI will continue to be a vital partner in supporting Bunge Loders' growth given IOI's expertise in palm oil sourcing and vast business experience in the fast-growing Asia-Pacific region.

Key Risks and How We Manage Them

PRINCIPAL RISKS	DESCRIPTIONS
Human Talent	Risk of employee, skills or knowledge attrition.
Commodity Price	Risk of low crude palm oil ("CPO") and palm kernel ("PK") prices due to low demand and/or high stocks.
Output and Yields	Risk of low fresh fruit bunches output and CPO and PK yields due to extreme and unpredictable weather patterns such as El-Nino and La-Nina.
Reputational	Risk of reputational damage due to adverse findings from non-governmental organisations ("NGOs") including the Roundtable on Sustainable Palm Oil ("RSPO").
Supply Chain Compliance	Risk of non-compliance with international supply chain rules and standards such as RSPO or International Sustainability and Carbon Certification ("ISCC") on meeting palm oil buyers' requirements.

IOI recognises the importance of a strong risk management framework in sustaining the confidence and trust of our stakeholders, and ensuring business integrity and long-term value for shareholders. Our risk management framework plays a fundamental and integral role in value creation and is closely aligned to the Group's strategic objectives to ensure minimal impact from unfavourable events and market conditions.

IMPACT ON VALUE CREATION	MITIGATIVE MEASURES	LINK TO IOI'S STRATEGIC OBJECTIVES
Impacts overall workforce structural development and succession planning.	Deploy improved remuneration structure, new performance management system, innovative coaching methodologies, curated employee learning programmes and talent retention initiatives.	Ensuring business continuity and contributing to **People Capital Development** and **Driving Innovations** in a dynamic marketplace.
Impacts financial performance, share price valuation and profitability due to CPO and PK price movements.	Close monitoring of demand and supply trends. Strategic hedging through the use of derivatives, and integration of upstream and downstream businesses to include contributions from resource-based manufacturing segment.	Leveraging on our integrated palm oil value chain to ensure **Consistent Profit**.
Impacts Group's revenue, shareholders' dividends, employees' benefits and growth.	Conduct in-house research and development, breeding and field trials to produce planting materials that can resist pest and diseases and withstand environmental stress, and utilise tissue culture technology to produce clones of superior high-yielding and resilient oil palm.	**Driving Innovations** through biotech research and maintaining palm oil production cost efficiency for **Sustainable Growth**.
Impacts the Group's image and share price due to adverse findings.	Set sustainability commitments and targets, bi-annual review and external verification of Sustainability Implementation Plan ("SIP"), as well as introduction of Stakeholder Advisory Panel to oversee SIP.	Demonstrating sustained improvements in estates and mills operation to drive **Sustainable Growth**.
Indirect impact to our natural environment and the communities that operate within our supply chain. Diminishing sustainable growth in our downstream operations.	Focused engagement with priority suppliers and broad level activities with all suppliers. Mapping High Conservation Value, High Carbon Stock and peat areas within our concessions; and near real-time monitoring of the entire supply chain, including indirect suppliers.	Contributing towards **Sustainable Growth** by ensuring supply chain transformation through innovative engagements.

Harnessing Sustainable Partnerships

IOI'S SUSTAINABILITY COMMITMENT

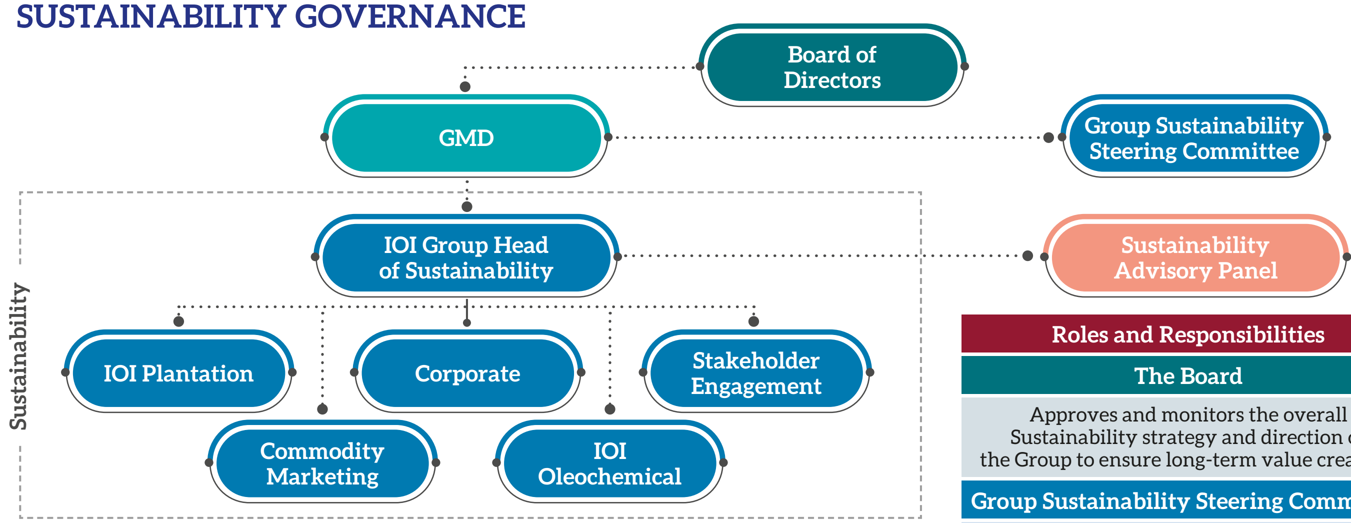
IOI has been dedicated to integrate sustainability into its core operations since the establishment of the organisation, proven by its vision to be a leading corporation in its core businesses by providing products and services of superior values and by sustaining consistent long-term growth in volume and profitability. This section discusses its approach to fully integrating sustainability in its operations and fulfilling its sustainability vision.

SUSTAINABILITY VISION

At IOI, we believe we should meet the needs of the present without compromising that of the future generations by:

Promoting, pioneering and implementing innovative solutions	Committing to protect, rehabilitate and preserve the environment where we live in	Safeguarding the economic, social welfare, health and safety of our employees and the wider communities

SUSTAINABILITY GOVERNANCE



Roles and Responsibilities

GMD
Heads the Group Sustainability Steering Committee, which reports directly to the Board. The Group Managing Director and Chief Executive ("GMD") also represents Sustainability at the Board level.

Group Sustainability Team
Led by the Group's Head of Sustainability and comprised key business units, the team promotes transparent and effective implementation of the Group's sustainability policies and commitments.

Roles and Responsibilities

The Board
Approves and monitors the overall Sustainability strategy 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 Advisory Panel
Advices, reviews and challenges the Group on its sustainability commitments and ambitions, as set out in the SPOP and SIP. This panel comprises external stakeholders who have access to all relevant data and documentation.

IOI Group's Sustainability Governance structure is a medium for us to progress and respond to future challenges. It comprises the Board of Directors, Sustainability Steering Committee, Sustainability Team, and an external Sustainability Advisory Panel ("SAP"). The Group's Sustainability Steering Committee is chaired by the GMD, and its members comprise of senior management as determined by the Chairman of the committee.

IOI VALUE CREATION

IOI seeks to create value across palm oil plantation cycles, and therefore recognises the significance of a business model that emphasises on value creation as the foundation of its strategy and all stakeholders as its beneficiaries. The cohesive system of transforming inputs into outputs and outcomes that aims to fulfil IOI's strategic purpose and create value over the short, medium and long term in its modus operandi is presented in this section.

SUSTAINABLE PALM OIL POLICY

First established in 2014 and most recently revised in March 2018, the IOI Group Sustainable Palm Oil Policy ("SPOP") is a comprehensive guiding document used to accomplish our sustainability initiatives and our long-standing commitment to give back to our employees, surrounding communities and the environment, which serves as a support system as well as a base to our business operations.

To effectively meet our goals and commitments stated in the SPOP, we established a practical working document called the Sustainability Implementation Plan ("SIP") to showcase our ground implementation progress and reflect any stakeholder input.

CONTRIBUTION TO UN SDGS

Our Priority SDGs

IOI supports the global initiative for a greener earth and sustainable future by responding to the United Nation's ("UN") call for governments and organisations to contribute towards the Sustainable Development Goals ("SDGs"). This year, IOI identified two additional goals that it can contribute towards which are SDG 2: Zero Hunger and SDG 17: Partnerships for the Goals.

Sustainability and Corporate Responsibility

Topic	Material Sustainability Matter	SDG Contributions	Sustainability Pillar			
			People	Planet	Prosperity	+ Partnership
Palm Biotechnology	Technology and innovation	8.2, 12.4, 2.4		●	●	
Digital Monitoring	Technology and innovation	8.2, 17.16		●	●	
Geospatial Technology	Technology and innovation	8.2, 17.16		●	●	●
Sustainability Certifications	Sustainability certification	2.4, 8.2, 12.6	●	●	●	
Traceable Supply Chain	Responsible sourcing and traceability	12.6, 17.16, 17.17		●	●	●
Stakeholder Relations	Anti-corruption, governance and grievance; Community relations, corporate social responsibilities ("CSR") and land issue	12.6, 17.16, 17.17	●	●	●	●
Academia Collaboration	Community relations, CSR	12.A, 17.16, 17.17	●		●	●
Empowering Smallholders	Community relations, CSR and land issue	17.16, 17.17	●		●	●
Collaboration with Governments and Civil Society	Community relations, CSR and land issue	17.16, 17.17	●	●	●	●
Community Development and Social Impact	Community relations, CSR and land issue	2.4, 17.16, 17.17	●		●	●
Land Use Plan	Best Management Practices: waste, pest and chemicals, water impact and fire; High Conservation Value ("HCV") and High Carbon Stock ("HCS")	15.1, 15.2, 15.5, 2.4		●	●	
Rehabilitation and Biodiversity for Land Management	Peat, biodiversity and conservation; HCV and HCS	15.1, 15.2, 15.5		●	●	●
Fire Prevention and Response	Best Management Practices: waste, pest and chemicals, water impact and fire	13.2, 15.2		●		●
Operational Eco-Efficiency	Best Management Practices: waste, pest and chemicals, water impact and fire; greenhouse gas ("GHG") and energy efficiency; regulatory compliance	12.4		●	●	
Climate Strategy	GHG and energy efficiency; technology and innovation	13.2	●	●	●	●
Human Rights at Workplace	Workers' rights and welfare; anti-corruption, governance and grievance; regulatory compliance	8.2, 8.8	●		●	●
Capacity Building	Workers' rights and welfare	8.2, 8.8	●		●	
	Occupational safety and health and process safety	8.8	●			

IOI SUSTAINABILITY FOCUS AREAS

IOI is committed to the three sustainability pillars of People, Planet and Prosperity + Partnership. IOI has been diligently maintaining and enhancing its relationships with key stakeholders and increasing participations in roundtables. The Partnership pillar is therefore added to highlight the initiatives that have been taken place and will continue forwards. The table above shows the list of topics related to each pillar.

HARNESSING SUSTAINABLE PARTNERSHIPS

IOI cares about the relationships that it is able to foster between the corporation and its key stakeholders as well as encouraging engagements amongst stakeholders. This section will cover Stakeholder Relations, Academia Collaboration, Empowering Smallholders, Collaboration with Governments and Civil Society and Community Development and Social Impact.

IOI's commitments towards Harnessing Sustainable Partnerships:

Issues	Commitments	
Stakeholder Relations	• Stakeholder engagement and prioritisation	• Responding to key stakeholder issue
Academia Collaboration	• Contribution towards education • University collaboration (University of Malaya, Sunway University)	• HUMANA learning centres
Empowering Smallholders	• Smallholder schemes	• Small-Growers Support Programme
Collaboration with Governments and Civil Society	• Collaborations and partnerships • Support global and national initiatives	• Continuous engagement and feedback
Community Development and Social Impact	• Contribution towards community welfare • Investments towards health and the environment	• Free, Prior and Informed Consent ("FPIC") process

SIP	Targets	Current Status
HCS Convergence	Follow a multi-stakeholder approach as the right way forward to transform the palm oil sector by working with various stakeholders including our suppliers, customers, civil society, governments and independent verification bodies to implement our Policy	Completed
Sustainability Advisory Panel		In progress
IOI-Pelita Sarawak	An open and transparent approach to resolving outstanding grievances with the involvement of affected stakeholders, including successfully concluding the mediation process with the affected longhouse communities in Sarawak, to the satisfaction of all parties	In progress
Grievance Mechanism	Improving IOI Group's complaints handling capacity and procedures and implementing a comprehensive grievance procedure covering our palm oil production and sourcing	Completed

INNOVATING TO MAXIMISE YIELDS

IOI recognises that there can be an overshoot of natural resources thus, formulate its approach to expand its productivity and yield through utilising innovative solutions. IOI is also keen on doing what it can to conserve lands and maintain the biodiversity of the area. This is explained in the topics of Land Use Plan and Palm Biotechnology.

Issues	Commitments	
Land Use Plan	• New planting procedure • Reduce land expansion by increasing palm oil yield	• High Carbon Stock Approach ("HCSA")
Palm Biotechnology	• Agronomy and Planting Material Improvement	

SIP	Targets	Current Status
Peatland	Appropriate management using Best Management Practices for existing plantations 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	In progress
	No development of peatlands regardless of depth, and protection of peat lands through water management and fire prevention	Completed
	Peatland management and protection for the landscape in and around our four Ketapang concessions in West Kalimantan	In progress
	We confirm our commitment to developing and implementing best practices on peatland remediation, rehabilitation and where necessary, compensation measures, in our Ketapang development in West Kalimantan	Completed
HCSA	We commit to using the HCSA for our last wholly unplanted concession, KPAM	Completed
Agrochemicals	No use of Paraquat and pesticides that are categorised as World Health Organisation Class 1A or 1B	Completed

INNOVATING TO ENHANCE OPERATIONAL EFFICIENCY

To prolong business strength and sustain competitive margin, IOI needs to effectively manage all of its risks and effluents and most importantly, retain the level of talents available to run the organisation. The natural and human capitals are mainly discussed in this section.

Issues	Commitments	
Operational Eco-Efficiency	• Sustainable pesticide use	• Waste and water management
Climate Strategy	• No developments on peat • Sustainable cultivation and processing	• Methane capture and GHG emissions reduction • Green energy
Rehabilitation and Biodiversity for Land Management	• Biodiversity protection and enhancement • Peatland management and rehabilitation	• Integrated Pest Management • Biodiversity conservation and rehabilitation
Fire Prevention and Response	• Emergency response programme	• Fire monitoring system
Capacity Building	• Orientation and induction training • Equal opportunity	• Employee diversity • Ethical recruitment including no recruitment fee
Human Rights at Workplace	• No child labour • Freedom of association	• Grievance mechanism • Labour rights monitoring
Occupational Health and Safety	• Medical clinics and health programmes • The right to refuse unsafe work	• Joint Management/Employee Health and Safety Committee

SIP	Targets	Current Status
GHG Emissions	Implementation of programmes to progressively reduce GHG emissions, recycle/reuse palm biomass and generate renewable energy by methane capturing	In progress
Conservation	Identification and protection of HCV areas, no deforestation and protection of HCS area	In progress
Fire	Enforcement of IOI Group's no-burning policy	In progress
	Develop and implement a fire prevention and rapid response programme, consisting of active measures to prevent fires in and adjacent areas, and to respond rapidly to any fires if necessary. The peatland management plan will be an important factor in mitigating fire risk	In progress
Labour Rights	• Implementing a labour rights monitoring system, to verify labour conditions, compliance with labour policy welfare and working conditions. We will take necessary corrective action to address any identified non-compliances • Eliminate all forms of illegal, forced, bonded, compulsory or child labour and in particular, follow responsible recruitment practice • Uphold the right to freedom of association and recognise the right to collective bargaining • No retention of workers' passports or withholding of workers' wages other than that prescribed by law • Pay all workers the statutory monthly minimum wage and overtime compensation, in accordance with the current labour regulations	In progress
Training and Development	• Provide adequate equipment and training on the implementation of health and safety policies • Provide training and development to employees to ensure achievement of their full potential	In progress
Safe Working Environment	• Promote a safe and healthy working environment that is free of sexual harassment • Provide fair and equal employment opportunities for all employees, regardless of race, nationality, religion or gender	In progress

INNOVATING TO EXPAND VALUE DELIVERY

The intellectual and manufactured capitals are apparent in this section as it discusses on the technological advancement that IOI has incorporated in its day-to-day manufacturing operations, plantation monitoring and supply chain management. As a leader in the global plantation industry, IOI also promises value delivery with a certified commitment to operate and manufacture sustainably.

Issues	Commitments	
Innovation In Manufacturing Processes and Products	• Specialised Oleochemical	• Eco-productivity
Digital Integration	• Global Forest Watch	• SAP Enterprise Risk Planning
Geospatial Technology	• Geographical Information System ("GIS")	• Unmanned Aerial Vehicles ("UAV")
Sustainability Certifications	• Roundtable on Sustainable Palm Oil ("RSPO") and Malaysian Sustainable Palm Oil ("MSPO") certification	• International Sustainability and Carbon Certification ("ISCC")
Traceable Supply Chain	• Traceable supply chain program	• Responsible sourcing

SIP	Targets	Current Status
Plantation and Concession Maps	Making maps of all IOI plantations publicly available, subject to any legal restrictions	Completed
RSPO Certification	Certifying the outstanding management units, in Sarawak and Indonesia, in accordance with the published time-bound plan	14 mills certified
MSPO Certification	Committing towards sustainable production of palm oil and its continuous improvement as outlined in the MSPO Certification guidelines. In supporting the Malaysian government's target, we will ensure all our Malaysian plantations are MSPO-certified by the end of 2018	13 mills certified
Traceability	Our goal is to ensure that all volumes of palm oil and palm oil fractions will be 100% traceable to mills by the end of 2016 while palm kernel oil volumes will be traceable to crushers by end 2016 and to the mills by end 2018; this will be extended towards 100% traceable to plantation by the end of 2020	Completed
Supplier Engagement	We will actively promote and support the transformation of the palm oil supply chain through a process of supplier engagement. We will continue to engage with key suppliers to promote our policy commitments and build capacity of mills and supplier companies to ensure compliance	In progress
Risk Assessment	We will risk assess all palm oil supplier mills using tools such as the spatial data and remote sensing information made available by the World Resource Institute's ("WRI") Global Forest Watch ("GFW") platform, together with stakeholder alerts, in order to facilitate monitoring of the palm oil supply chain to establish priorities for conducting mill-level verification assessments	Completed
Mill Verification and Monitoring	We are implementing a programme of mill-level verification assessments within our supplier base, in order to verify compliance with our Sustainable Palm Oil Policy. We expect all our third-party suppliers of palm oil products to adhere to commitments in this policy	In progress

The Group's detailed sustainability efforts and updates on performance and progress are highlighted in its Annual Sustainability Report 2019.

New school bags and stationery are donated yearly to motivate school children under the Yayasan TSLSC's Student Adoption Programme.

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

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 RM46 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 270 students with more than RM9.0 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 RM4.4 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.

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 RM620,000 worth of cash prizes have been given to 1,625 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 RM2.0 million and to date, the Group has built 25 HUMANA learning centres in Sabah which has benefitted about 2,932 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.

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 2017. 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 more than RM260,000 to 20 beneficiaries, namely Alzheimer's Disease Foundation Malaysia, Arrow Harvest Plt, Autism Café Project, Charwiki, Dignity for Children Foundation, Home of Kan Ern, Lighthouse Children Welfare Home Association, Lovely Nursing Home, Mr Chang Jee Kee, Persatuan Kebajikan Kanan-Kanak Cornerstone Selangor, Pertubuhan Anak Yatim Darul Aminan, Pertubuhan Kebajikan Kanak-Kanak OKU Mesra Petaling Jaya, Pertubuhan Kebajikan Thangam Illam, Rumah Shalom (Pertubuhan Kristian Aman Selangor), Pusat Jagaan Kanak-Kanak Istimewa Lagenda, Rumah Kanak-kanak Triniti, Stepping Stones Living Centre Sdn Bhd, Wisdom Club, Yayasan Chow Kit and Yayasan Seribu Harapan Malaysia.

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.

Bargain Basement is proud to contribute a total of RM200,000 of its net proceeds to 15 beneficiaries in conjunction with the Christmas season.

Our Milestones

20 JULY 2018

IOI Corporation Berhad ("IOI") contributed RM2 million towards *Tabung Harapan Malaysia* (also known as Malaysia Hope Fund), a trust fund set up by the Malaysian government to ease the country's debt.

26 JULY 2018

IOI embarked on a digital transformation journey to implement a Group-wide SAP system that will streamline IOI's entire corporate, upstream and downstream manufacturing operations in a single ONE IOI Integrated Platform.

15 AUGUST 2018

Fatty Chemical Malaysia Sdn Bhd's new RM165 million olefin plant, a joint venture between IOI Oleochemical Industries Berhad ("IOI Oleo") and Kao Corporation of Japan, was officially launched by the Minister of Primary Industries Yang Berhormat ("YB") Puan Teresa Kok in Prai, Penang.

15 AUGUST 2018

Minister of Primary Industries YB Puan Teresa Kok and her delegation visited IOI Esterchem (M) Sdn Bhd's facilities in Prai, Penang where the group also spent time discussing issues relating to the general state of the local palm oil and oleochemical industries.

20 AUGUST 2018

Yayasan Tan Sri Lee Shin Cheng ("Yayasan TSLSC") and University of Malaya signed a Memorandum of Agreement together with IOI to enhance research and development in sustainable palm oil plantation management in order to advance the palm oil industry by nurturing talents and creating impactful innovative strategies.

3 SEPTEMBER 2018

IOI Oleo officially launched a Group-wide sustainability pledge in three key areas: Energy and Water Policies and the Responsible Sourcing Guideline for non-palm materials; to standardise reporting of environmental and sustainability-related issues.

5 SEPTEMBER 2018

IOI Oleo GmbH held a groundbreaking ceremony on the construction of its new storage tank facility in Wittenberge, which will provide 1800 m^3 of space to store raw materials required for producing oil within an invested area of 600 m^2.

21 SEPTEMBER 2018

IOI Oleo held a *gotong-royong* activity with local authority Seberang Perai Municipal Council and neighbouring companies in which 135 participants came together to promote environmental protection and sustain a conducive environment.

21-22 SEPTEMBER 2018

IOI contributed RM20,000 on top of RM12,204.25 raised by employees of IOI's estates and mills, for IOI's Indonesian plantation workers whose family members were affected by an earthquake in Lombok, Indonesia.

12 OCTOBER 2018

IOI received the Best Companies to Work for in Asia Award 2018 by HR Asia.

15 OCTOBER 2018

IOI Edible Oils Sdn Bhd ("IOIEO") won the Palm Oil Industry Award at the IChemE Malaysia Awards 2018 for its Heat Recovery using Vent Economisers' project, which has saved 50% on steam heating costs.

18 OCTOBER 2018

IOI Pan-Century ("IOI Pan-Cen") announced a month-long Health, Safety & Environment Campaign 2018 with the theme, *Tomorrow: Your Reward for Working Safely Today*. Various programmes such as health screening and talks on health, safety and equipment management were conducted to create a positive health and safety culture within IOI Pan-Cen.

Our Milestones

19 OCTOBER 2018

IOI partnered with Aidenvironment and Global Environment Centre to officially launch the South Ketapang Landscape Initiative to tackle issues such as peatland management, biodiversity and wildlife protection, flood and fire prevention and control, and community livelihood development in South Ketapang, Indonesia.

19 OCTOBER 2018

IOIEO won the inaugural National Energy Award 2018 in the Energy Efficiency category (Energy Management in Large Industries) at the International Greentech & Eco Products Exhibition & Conference Malaysia 2018.

27 OCTOBER 2018

Yayasan TSLSC awarded RM517,000 in scholarships to 11 outstanding students to pursue their higher education in selected disciplines at local institutions.

29 OCTOBER 2018

IOIEO represented Malaysia at the ASEAN Level and emerged 2nd Runner-Up in the Energy Management for Buildings & Industry Awards 2018 (Large Industries Category).

12 NOVEMBER 2018

IOI held its first stakeholder event in conjunction with the 16th Annual Roundtable Conference on Sustainable Palm Oil (RT16) in Kota Kinabalu, Sabah. IOI's customers and non-governmental organisations ("NGOs") attended the hi-tea session to learn more about IOI's sustainability journey.

15 NOVEMBER 2018

IOI Pan-Century Oleochemicals Sdn Bhd ("IOI Pan-Cen Oleo") received the AuditOne Certification for compliance with the requirements of the EFfCI GMP Standard for Cosmetic Ingredients, including the Certification Standard and Scheme for GMP for Cosmetic Ingredients for the Manufacturing of Soap Noodles.

16 NOVEMBER 2018

IOI Oleo GmbH's newly-created CARE Studio was inaugurated in a grand opening ceremony with the participation of 100 clients and business partners from all over Europe. The studio is dedicated to the study of innovative applications in the personal care environment.

27 NOVEMBER 2018

IOIEO was selected as the Best Kernel Crushing Plant (Third Party Supplier) again at the Anugerah Industri Sawit Malaysia ("AISM") 2017/2018. A past winner in the same category in the AISM 2009/2010 and 2011/2012, IOIEO has continually made vast improvements in its kernel crushing plant's machinery and process improvements, which contributed to its successive awards.

27 NOVEMBER 2018

IOI Pan-Cen bagged the prestigious Best Oleochemical Company award at the AISM 2017/2018, organised by the Malaysian Palm Oil Board.

12 DECEMBER 2018

IOI, Yayasan TSLSC and IOI City Mall celebrated Christmas by organising a charity campaign titled *Grant A Wish This Christmas 2018* which fulfilled 161 wishes of underprivileged children from Little Yellow Flower Education Foundation, Shepherd's Centre Foundation Semenyih, Stepping Stones Living Centre and Pertubuhan Kebajikan Thangam Illham. In addition, Bargain Basement also contributed RM200,000 of its net proceeds to 15 beneficiaries.

24 DECEMBER 2018

IOI was included in Bursa Malaysia Bhd's FTSE4Good Bursa Malaysia Index, joining 56 other companies in the list. The index measures the performance of public-listed companies demonstrating strong environmental, social and governance practices.

FTSE4Good

31 JANUARY 2019

IOI held its 3rd High Tea with CEO event at the IOI headquarters to engage and foster a closer relationship with employees while providing an open forum for communication at the townhall meeting.

19 FEBRUARY 2019

In its continuous effort to resolve the long-standing dispute with local communities, IOI Pelita, assisted by local NGOs, conducted a Community Capacity Building Programme for the nine communities involved in the dispute. The programme entailed workshops and field visits, and was completed on 30 June 2019.

Our Milestones

27 FEBRUARY 2019

Yayasan TSLSC awarded RM91,800 to 211 underprivileged students from 26 primary and secondary schools in Peninsular Malaysia and Sabah under its Student Adoption Programme 2019, with 116 employees' children and 95 non-employees' children receiving aid this year.

7 MARCH 2019

IOI Pan-Cen distributed 20 cartons of mineral water, 320 pieces of disposable N95 face masks and loaned two oxygen cylinders to the Pasir Gudang Emergency Mutual Aid in the wake of the dumping of chemical substances into Sungai Kim Kim in Pasir Gudang, Johor, which affected almost 6,000 people in the vicinity.

13 MARCH 2019

IOI Oleo GmbH successfully commissioned a new state-of-the-art liquid lipid filling line at its production site in Witten, Germany to expand its API PHARMA business. The line complies with Good Manufacturing Practice and patient safety regulations.

14 MARCH 2019

IOI received the Carbon Disclosure Program 2018 Award for the Most Improved Performance in Hong Kong and Southeast Asia as a result of its disclosure in the Forest (Palm Oil) category and scoring B- and B respectively in the Water Security and Forest (Palm Oil) categories.

18 MARCH 2019

IOI Pan-Cen Oleo and IOI Pan-Cen Edible Oils Sdn Bhd successfully achieved a three-year migration of an upgraded Occupational Health & Safety Management System ("OHSAS") from OHSAS 18001:2007 to a revised ISO 45001:2018.

24 MARCH 2019

IOI and Kuala Lumpur Kepong Berhad jointly organised an exhibition on the benefits of Malaysian palm oil at the official launch of the Love MY Palm Oil campaign by Malaysian Prime Minister Yang Amat Berhormat Tun Dr Mahathir Mohamad.

13 APRIL 2019

IOI Pan-Cen successfully commissioned a new 6.5 MW combined heat and power Co-Generation Plant at Pasir Gudang which can reduce 25,000 MT of CO_2 emission per year.

24 APRIL 2019

IOI was among the top 50 companies in Malaysia to win the Malaysia Best Employer Brand Awards 2019 in recognition of exemplary practices in human resources.

23 APRIL 2019

In line with the Love MY Palm Oil campaign, IOI Pan-Cen delivered 6 MT of IOI *Century* cooking oil to Pamol Group as part of its Subsidised Cooking Oil Programme to encourage the use of local palm oil and its products.

25 APRIL 2019

IOI Plantation Sustainable Palm Oil Department (Sandakan Region) organised its first Sustainability Outreach Programme with the Sabah Wildlife Department, the Rainforest Discovery Centre of the Sabah Forestry Department and the Bornean Sun Bear Conservation Centre to promote environmental awareness and wildlife management to the estate communities.

13 JUNE 2019

IOI Oleo achieved its latest safety milestone with an amazing 1.5 million accident-free hours recorded by its Safety, Health and Environment Department.

Board of Directors

Left to right:

TAN SRI PETER CHIN FAH KUI Independent Non-Executive Chairman

DATO' LEE YEOW CHOR Group Managing Director and Chief Executive

LEE YEOW SENG Non-Independent Non-Executive Director

Left to right:

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

Profiles of the Board of Directors

COMMITTEE MEMBERSHIP KEY

- (Blue) Committee Chairman
- (Yellow) Committee Member
- A — Audit and Risk Management
- GNR — Governance, Nominating and Remuneration
- E — Executive Share Option Scheme

TAN SRI PETER CHIN FAH KUI

Independent Non-Executive Chairman
(Redesignated w.e.f 18 June 2019)
Age 74, Male, Malaysian

GNR A

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

DATO' LEE YEOW CHOR

Group Managing Director and Chief Executive
(Redesignated w.e.f 18 June 2019)
Age 53, Male, Malaysian

E

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

Notes:
Save as disclosed above, none of the Directors has:
(a) any family relationship with any directors and/or substantial shareholders of the Company;
(b) any conflict of interest with the Company;
(c) any conviction for offences (other than traffic offences) within the past five (5) years; and
(d) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2019.

LEE YEOW SENG

Non-Independent
Non-Executive Director
Age 41, Male, Malaysian

E

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

TAN SRI DR RAHAMAT BIVI BINTI YUSOFF

Independent Non-Executive Director
Age 62, Female, Malaysian

GNR

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
  - Independent Non-Executive Director of Bank Pembangunan Malaysia Berhad

Profiles of the Board of Directors

COMMITTEE MEMBERSHIP KEY

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

DATUK KAROWNAKARAN @ KARUNAKARAN A/L RAMASAMY

Independent Non-Executive Director
Age 69, Male, Malaysian

A GNR

Date of Appointment

17 January 2011

Qualification

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

Working Experience

- 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
- Chairman of Etiqa Insurance and 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

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 International Holdings Berhad
  - Chairman of Maybank Singapore Limited

CHEAH TEK KUANG

Independent Non-Executive Director
Age 72, Male, Malaysian

A GNR

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 Issuer
  - Independent Non-Executive Director of Eco World International Berhad
- Public Company
  - Independent Non-Executive Director of Berjaya Golf Resort Berhad
- Non-Profit Public Companies
  - Committee Member of Malaysian Institute of Art
  - Governor of Yayasan Bursa Malaysia

Corporate Information

BOARD OF DIRECTORS

TAN SRI PETER CHIN FAH KUI
Independent Non-Executive Chairman
(Redesignated w.e.f 18 June 2019)

DATO' LEE YEOW CHOR
Group Managing Director and Chief Executive
(Redesignated w.e.f 18 June 2019)

LEE YEOW SENG
Non-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

AUDIT AND RISK MANAGEMENT COMMITTEE

Datuk Karownakaran @ Karunakaran a/l Ramasamy*
Chairman

Tan Sri Peter Chin Fah Kui*

Cheah Tek Kuang*

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

Dato' Lee Yeow Chor
Chairman

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 PLT
Chartered Accountants
Level 8
BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel +60 3 2616 2888
Fax +60 3 2616 3190

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 Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel +60 3 7841 8088/8099
Fax +60 3 7841 8100/
+60 3 7890 4670

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

Senior Management

DATO' LEE YEOW CHOR
Group Managing Director and Chief Executive

LEE TUAN MENG
Group Chief Financial Officer

SUDHAKARAN A/L NOTTATH BHASKARAN
Plantation Director

LIM JIT UEI
Group Head of Commodity Marketing

TAN KEAN HUA
Executive Director

CORPORATE

LEE TUAN MENG
Group Chief Financial Officer

FARAH SUHANAH AHMAD SARJI
Group Legal Counsel

DR SURINA BINTI ISMAIL
Group Head of Sustainability

VINCENT TAN CHOONG KHIANG
Company Secretary

ALVIN LEE CHIN HUAT
Head of Business Systems and Information Technology

LING KEA ANG
Head of Group Internal Audit

PLANTATION

SUDHAKARAN A/L NOTTATH BHASKARAN
Plantation Director

RAGUPATHY A/L SELVARAJ
Senior General Manager, Plantations

SUBRAMANIAM A/L ARUMUGAM
Head of Plantations, PT Sawit Nabati Agro

COMMODITY MARKETING

LIM JIT UEI
Group Head of Commodity Marketing

REFINERY

SHYAM A/L M. K. LAKSHMANAN
General Manager

OLEOCHEMICAL

TAN KEAN HUA
Executive Director

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

LAI CHOON WAH
Chief Operating Officer, Penang

THOMAS KUMMER
Chief Operating Officer, Germany

The management team is headed by the Group Managing Director and Chief Executive, Dato' Lee Yeow Chor. He is assisted by the following senior management team:

CORPORATE

LEE TUAN MENG

Group Chief Financial Officer
Age 59, Male, Malaysian

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 54, Female, Malaysian

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 59, Female, Malaysian

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 49, Male, Malaysian

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 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.

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 currently Vice President of MAICSA. He is the Chairman of the National Investigation Group and the Transformation & Re-branding Committee. He is one of the Institute's representatives on the Corporate Practice Consultative Forum ("CPCF") Accounting & Audit Sub-Committee set up by the Companies Commission of Malaysia. He is also the representative of the Institute on the ASEAN Corporate Secretaries Network ("ACSN").

ALVIN LEE CHIN HUAT

Head of Business Systems and Information
Age 45, Male, Malaysian

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 automotive, machineries, retail, merchandising to manufacturing.

LING KEA ANG

Head of Group Internal Audit
Age 52, Male, Malaysian

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-six (26) 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, accounting and taxation 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 and was also involved in other special assignments like listing and due diligence exercise.

PLANTATION

SUDHAKARAN A/L NOTTATH BHASKARAN

Plantation Director
Age 60, Male, Malaysian

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, Lahad Datu
Age 61, Male, Malaysian

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.

SUBRAMANIAM A/L ARUMUGAM

Head of Plantations, Indonesia
Age 55, Male, Malaysian

Date of Appointment

1 March 2018

Skills and Experience

Mr Subramaniam a/l Arumugam holds a Bachelor of Science (Agribusiness) from University Pertanian Malaysia. He has over thirty-one (31) years of 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).

Senior Management

COMMODITY MARKETING

LIM JIT UEI

Group Head of Commodity Marketing
Age 45, Male, Singaporean

Date of Appointment

3 August 2015

Skills and Experience

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

Mr Lim Jit Uei is the brother-in-law of Dato' Lee Yeow Chor and Lee Yeow Seng.

REFINERY

SHYAM A/L M. K. LAKSHMANAN

General Manager
Age 56, Male, Malaysian

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 and a First Grade Steam Engineer. 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. As a Certified Energy Manager he leads the energy and resources savings projects as well as environment conservation efforts. He is also a Chartered Scientist (UK) and guides the Research and Development being conducted at Sandakan Refinery to reduce 3-MCPD and GE in palm oil products.

OLEOCHEMICAL

TAN KEAN HUA

Executive Director
Age 55, Male, Malaysian

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 oleochemicals multinational company. He was the Chairman of Malaysian Oleochemical Manufacturers Group ("MOMG") from March 2010 till March 2017. He also held the chair of the Asean Oleochemical Manufacturers Group ("AOMG") twice during his MOMG Chairmanship. He was the Board Member of the Board of MPOB for three (3) terms – from May 2010 until May 2017.

GURDEV SINGH A/L DARSHAN SINGH

Chief Operating Officer, Johor
Age 61, Male, Malaysian

Date of Appointment

1 October 2013

Skills and Experience

Mr Gurdev Singh a/l Darshan 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 oleochemicals fatty acids and soap noodles since 1999.

LAI CHOON WAH

Chief Operating Officer, Penang
Age 56, Male, Malaysian

Date of Appointment

1 July 2016

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 oleochemicals 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.

THOMAS KUMMER

Chief Operating Officer, Germany
Age 50, Male, German

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:

1 Lim Jit Uei has family relationship with Dato' Lee Yeow Chor and Lee Yeow Seng, both are directors and major shareholders of the Company.

2 Save as disclosed in item (1), 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;
- (f) any shares in the Company (whether directly or indirectly) except below direct shareholding:
  - Sudhakaran a/l Nottath Bhaskaran (142,500 shares)
  - Tan Kean Hua (56,400 shares)

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 2019/2020.

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. To ensure there is an integrated Group-wide approach towards upholding high governance standards, efforts have been made to strengthen the governance structures and processes of IOI's subsidiaries.

The cornerstone principles of corporate governance at IOI Group are guided by 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.

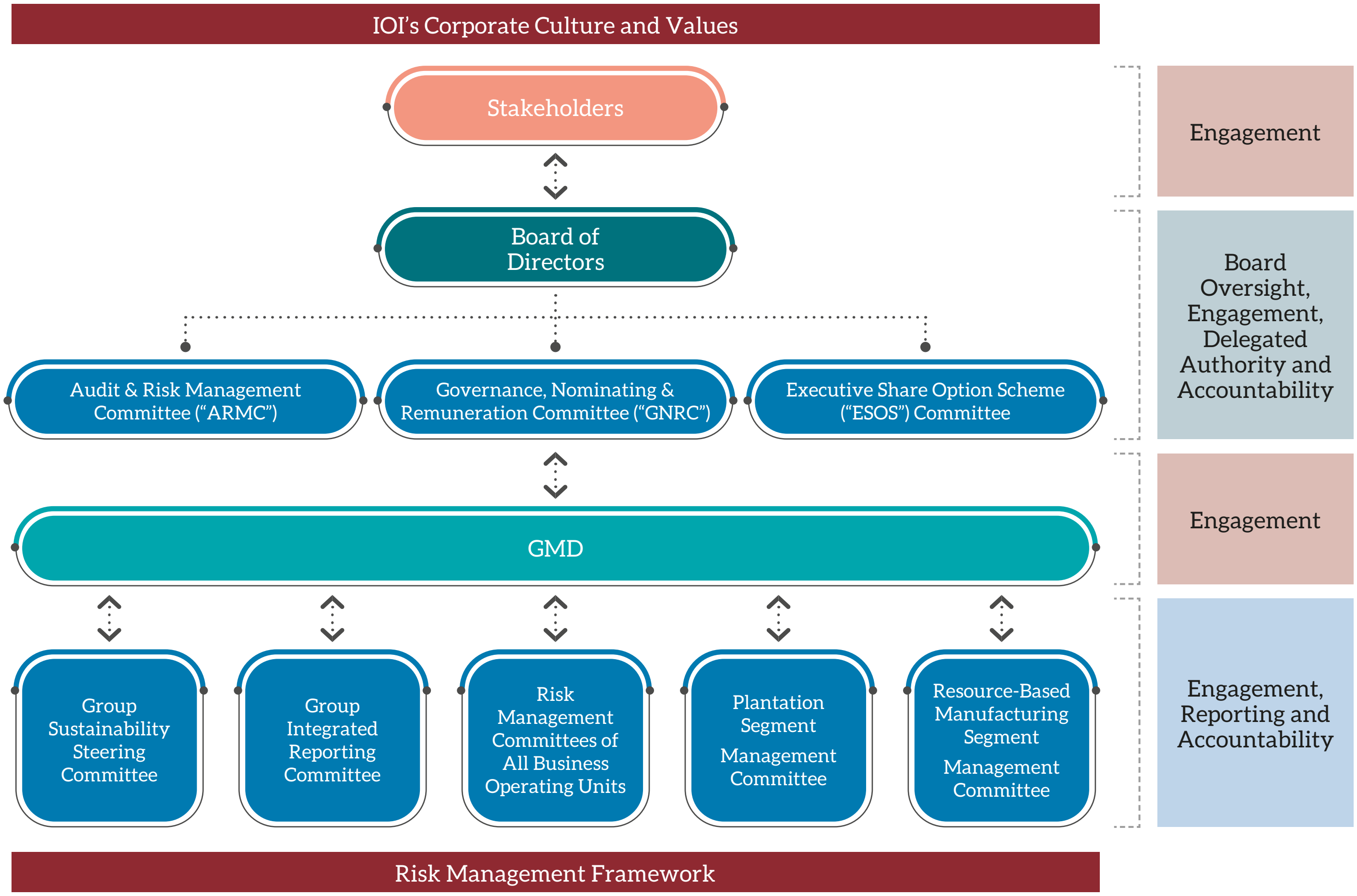
We will continue evaluating our governance practices in response to evolving best practices and the changing needs of the Group. The Board is pleased to present this statement and explain how IOI Group has applied the three (3) principles which are set out in the Malaysian Code on Corporate Governance (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.

GOVERNANCE FRAMEWORK



HOW OUR GOVERNANCE SUPPORTS THE DELIVERY OF OUR STRATEGY

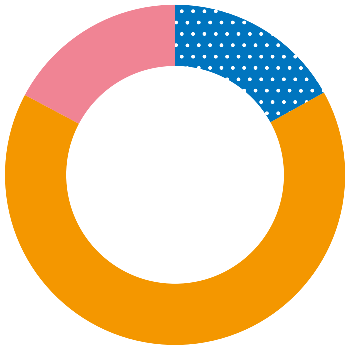
All Directors are collectively responsible for the success of IOI Group. The Non-Executive Directors exercise independent, objective judgement in respect of Board decisions, and scrutinise and challenge management. They also have various responsibilities concerning the integrity of financial information,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

To ensure that our governance is fit for purpose, the role of the Board is to create long-term sustainable value for the benefit of our shareholders and our wider stakeholders. To achieve this, it is vital that we have a robust corporate governance framework, which provides systems of checks and controls to ensure accountability and promotes sound decision-making. Our corporate governance framework is a value-based governance framework that takes into consideration the CG Codes, Listing Requirements and IOI Group's corporate culture and values. The framework shows the interaction between the stakeholders and the Board, demonstrates how the Board Committee structure facilitates the interaction between the Board and the GMD, and also illustrates the flow of delegation from stakeholders.

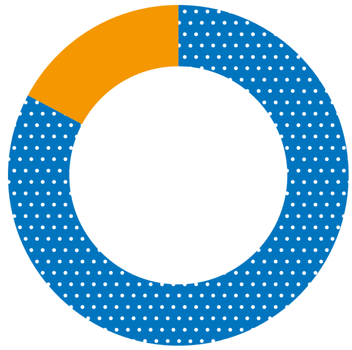
BOARD COMPOSITION

Board Composition
as at 30 August 2019



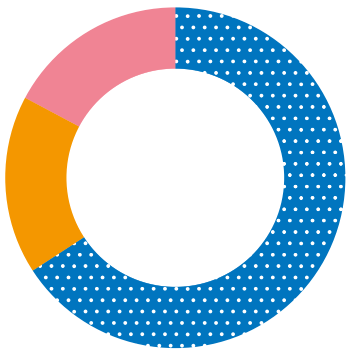
Executive Directors	17%
Independent Non-Executive Directors	66%
Non-Independent Non-Executive Directors	17%

Gender Diversity
as at 30 August 2019



Male	83%
Female	17%

Ethnic Diversity
as at 30 August 2019



Chinese	66%
Bumiputra	17%
Indian	17%

Tenure of Independent Non-Executive Directors
as at 30 August 2019

0 – 3 years	25%
4 – 9 years	75%

CHANGES TO THE COMPOSITION OF THE BOARD FOR FY2019

Tan Sri Dato' Lee Shin Cheng *(former Executive Chairman)*	Demised on 1 June 2019
Tan Sri Peter Chin Fah Kui	Appointed as Chairman on 18 June 2019
Lee Cheng Leang	Retired on 31 March 2019
Lim Tuang Ooi	Resigned on 31 March 2019

Corporate Governance Overview Statement

We have established a process to ensure the delegation flows through the Board and its committees to the GMD and management committees and into the organisation. At the same time, accountability flows back upwards from the Company to stakeholders.

ADOPTION OF CG CODE

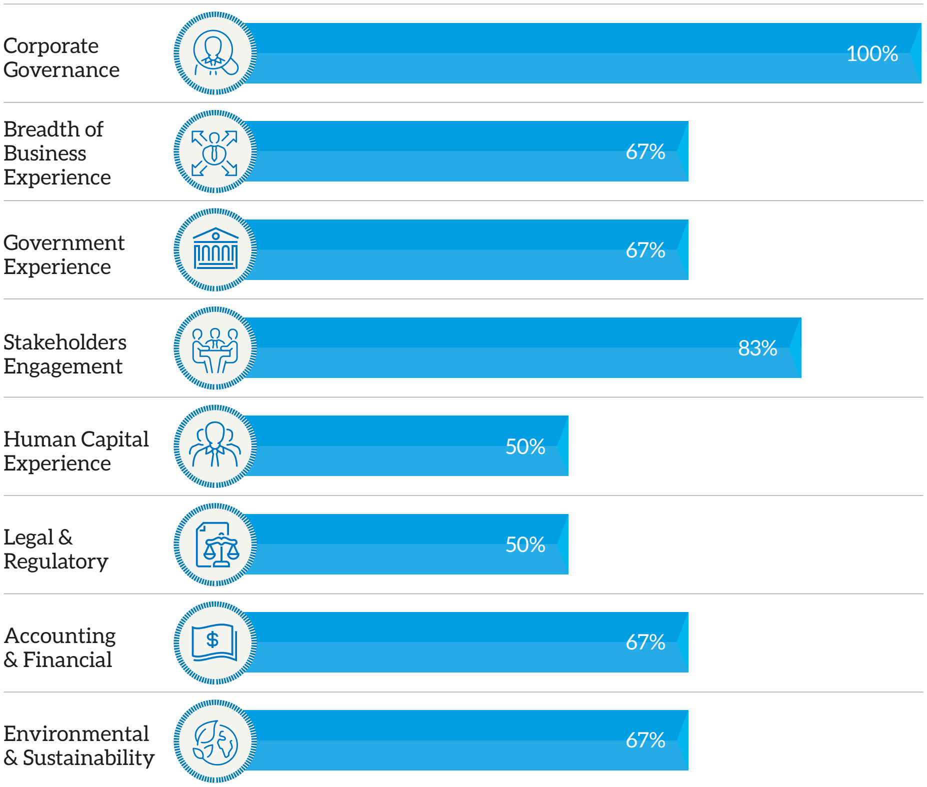
The Board considers that the Company has adopted the CG practices and applied the main principles of the CG Code for the financial year ended 30 June 2019 ("FY2019") except:

- 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 12.2 (All Directors to attend AGM)
- Practice 12.3 (A leveraging technology to facilitate 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 the Corporate Governance ("CG") Report. The explanation for departure is further disclosed in the CG Report.

Directors' Core Areas of Expertise

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



BOARD EFFECTIVENESS

Board Leadership, Roles and Responsibilities

Our Board is responsible for the overall leadership of IOI Group, including establishing its purpose, values and strategy, and satisfying ourselves as to the alignment of IOI's culture to the Group's purpose, values and strategy. An effective Board is key to the establishment and delivery of a company's strategy and we therefore continually seek to improve the effectiveness of our Board.

Effective management and good stewardship are led by the Board. Our Board is currently composed of the Chairman, who was independent on appointment, GMD and five (5) Non-Executive Directors ("NEDs"). The balance of Directors on the Board ensures that no individual or small group of Directors can dominate the decision-making process and that the interests of shareholders are protected. Independent NEDs form a majority of our Board. The Board considers each of our current NEDs to be independent in character and judgement. In reaching this determination of independence, the Board has concluded that each provides objective challenge to management, is willing to stand up and defend his or her own beliefs and viewpoints in order to support the ultimate good of the Company and that there are no business or other relationships likely to affect, or which could appear to affect, the judgement of the NEDs.

The NEDs have a diverse range of skills and experience which enables them to provide effective oversight, strategic guidance and constructive challenge, examine proposals on strategy and empower the GMD to implement the strategy approved by the Board. The Chairman who is Independent Non-Executive Director, acts as an intermediary for the other Directors when necessary and is available to shareholders if they have concerns that have not been addressed through the normal channels.

Effective operation of the Board relies on clarity of the various roles and responsibilities of the individual Board members. In line with the principles of the CG Code, a clear division of responsibilities has been established.

The Chairman is responsible for leading and managing the work of the Board, while responsibility for the day-to-day management of IOI Group has been delegated to the GMD. The GMD is supported in this role by 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 them to discharge their 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 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. Further details on the work of the ARMC, and GNRC are provided later in this statement. The terms of reference of each of the Board's Committees are also available on request from the Company Secretary ("CS") and are also available on our website.

The CS, through the Chairman, is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, applicable rules and regulations are complied with, and that due account is taken of relevant codes of best practice. The CS is also responsible for ensuring communication flows between the Board and its Committees, and between senior management and NEDs. The CS also facilitates the communication of key decisions and policies between the Board, Board Committees and senior management. In ensuring the uniformity of Board conduct and effective boardroom practices throughout IOI Group, the CS has oversight on overall corporate secretarial function of IOI Group, both in Malaysia and the region where IOI Group operates.

Board Evaluation

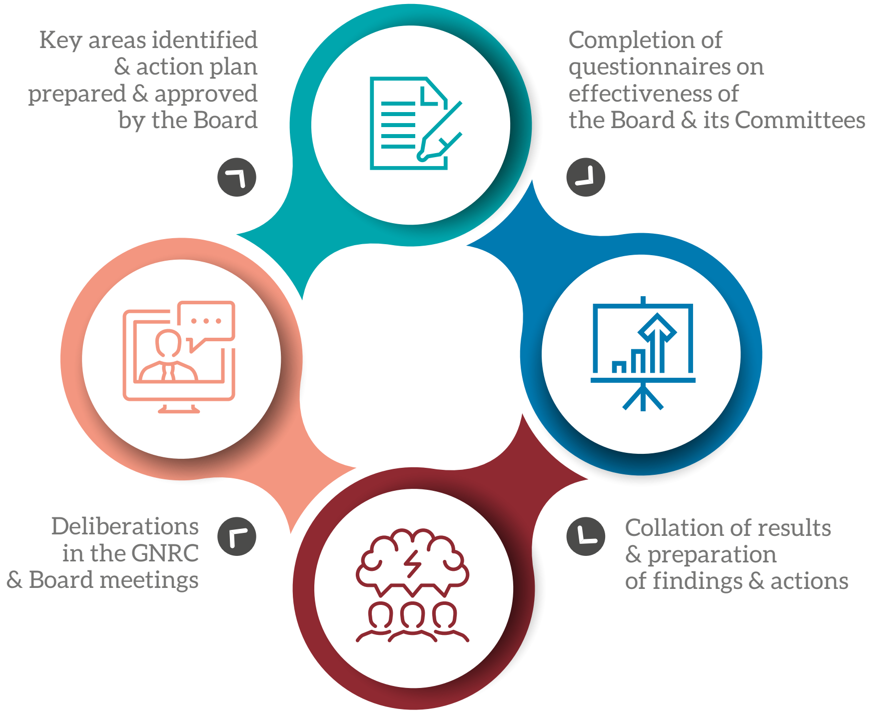
Following the evaluation of our Board's performance by an independent external consultant in 2018, various actions were taken during 2019 to further enhance the overall effectiveness of the Board. These included revising the Board Charter, and enhancing the quality and efficiency of Board discussion. Our Board conducted an internal Board evaluation during the year which covered, among others:

- Performance of the Board, ARMC and GNRC
- Processes which underpin the Board's effectiveness (including consideration of the balance of skills, experience, independence and knowledge of the persons on the Board)
- Individual performance (giving consideration to whether each Director continues to contribute effectively and show commitment)

The review assessed whether each of the Directors continues to discharge their respective duties and responsibilities effectively, and concluded that they do. The Board also reviewed the operations, performance and effectiveness of the Board Committees, and we are pleased to inform that the Board Committees continue to operate effectively. Key areas of focus arising from the report to be addressed in the year ahead included strategy planning, Board dynamics and succession planning.

2018	2019	2020
Independent, externally facilitated review	Internal performance review – progress against external review assessed	Internal performance review of progress

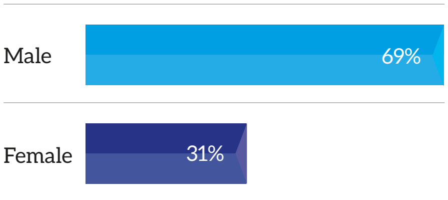
BOARD EFFECTIVENESS REVIEW CYCLE



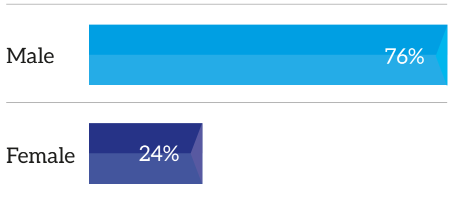
DIVERSITY DISCLOSURE

Gender Diversity

Employees

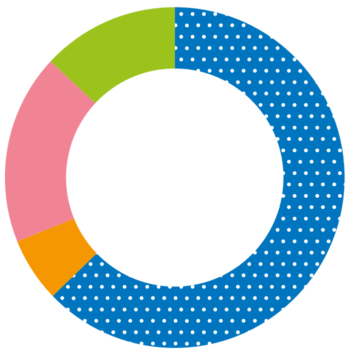


Management (managers & above)



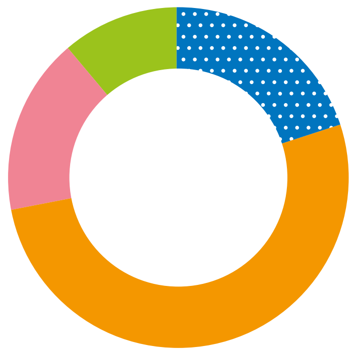
Ethnic Diversity

Employees



Bumiputra	63%
Chinese	6%
Indian	18%
Others	13%

Management (managers & above)



Bumiputra	20%
Chinese	52%
Indian	17%
Others	11%

Appointment to the Board and Diversity

All appointments to our Board are based on merit and objective criteria, in the context of the strategy of the Group and the diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, as well as skills, knowledge and experience required for the Board to be effective. Appointments are made following a formal and transparent process. A copy of the Board's selection process flow chart is accessible through the Company's website at www.ioigroup.com/Content/G/G_Governance.

All potential new Directors are asked to disclose their significant commitments and to give an indication of the time spent on those commitments. The GNRC will take this into account when considering a proposed appointment on the basis that all Directors are expected to allocate sufficient time to their role on the Board in order to discharge their responsibilities effectively. For FY2019, and as at the date of this statement, our Board is satisfied that none of the Directors is over-committed and that each of the Directors allocates sufficient time to his or her role in order to discharge their responsibilities effectively.

On appointment to the Board, all Directors receive an induction which is tailored to the new Director's individual requirements. On completion of the induction, Directors are expected to have sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges facing the Group, to enable them to effectively contribute to strategic discussions and oversight of the Group.

Our Group recognises and embraces the benefits of a diverse Board. The GNRC reviews the composition of the Board and the Board Committees. It frequently considers a skills matrix for the Board, which identifies the core competencies, skills, diversity and experience required for the Board to deliver its strategic aims and govern the Group effectively. This helps to determine a timeline for proposed appointments to the Board. This important piece of work continues to form the basis of GNRC and Board discussions in 2020 as we consider the make-up of the Board that will best support the Company as it moves into the next stage of development.

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. Our Board is focused on creating an inclusive culture in line with IOI's Core Values, which we believe will lead to greater diversity throughout the Group.

Board Committee Membership and Meeting Attendance in FY2019

Name	Board	%	ARMC	%	GNRC	%
Number of meetings held in year						
Executive Directors						
Tan Sri Dato' Lee Shin Cheng ● *(demised on 1/6/2019)*	1 / 5	20	–	–	–	–
Dato' Lee Yeow Chor^	6 / 6	100	–	–	–	–
Lee Cheng Leang *(retired on 31/3/2019)*	3 / 4	75	–	–	–	–
Non-Executive Directors						
Tan Sri Peter Chin Fah Kui ●	6 / 6	100	7 / 7	100	3 / 3	100
Tan Sri Dr Rahamat Bivi binti Yusoff	6 / 6	100	–	–	3 / 3	100
Datuk Karownakaran @ Karunakaran a/l Ramasamy ●	6 / 6	100	7 / 7	100	3 / 3	100
Cheah Tek Kuang	5 / 6	83	6 / 7	86	3 / 3	100
Lim Tuang Ooi* *(resigned on 31/3/2019)*	4 / 4	100	6 / 6	100	–	–
Lee Yeow Seng	3 / 6	50	–	–	–	–

● Chairman or Committee Chairman

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

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

What Our Board and GNRC Did This Year

Our 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. Our Board debated and provided input to management on the execution of the overall strategy of the Group, and reflected on that strategy with longer-term views on what could be done to build our strengths as an integrated plantation company, enhance financial resilience and deliver consistent and stronger returns through business cycles. Key highlights of our Board's 2019 activities and priorities are disclosed:

PRINCIPAL MATTERS CONSIDERED BY THE BOARD IN FY2019

STRATEGIC MATTERS	GOVERNANCE, ASSURANCE & RISK MANAGEMENT	FINANCIAL, RISK & MANAGEMENT PERFORMANCE
Deep Dive presentation on key areas of the Group's business	Business Ethics, Compliance, Anti-Corruption & Money Laundering Policy	Quarterly results announcements
Sustainability strategy	Year-end corporate reports, Statement on Risk Management & Internal Control	Expenditure approvals & performance reviews of historical capex
Succession planning	Annual Board evaluation & effectiveness findings & plans	Group's budget, forecasts & key performance targets & indicators
Dividend decisions	Board diversity	
Potential growth opportunities	Internal control assessment	
Group's SAP/ digitalisation plan	Independent quality assurance review on internal audit function	

LOOKING AHEAD TO 2020

During the year, our Board will:

- Refine our strategic propositions
- Continue Board & senior management succession planning
- Oversee the Group's digitalisation implementation
- Continue evaluating business mergers & acquisitions opportunities

The GNRC's terms of reference, which are listed on the Group's website, include all matters required by the CG Code. No changes were made to the terms of reference during FY2019. The GNRC focused on the size and composition of the Board, which has led to the commencement of a succession board planning discussion for NEDs, which will strengthen the existing capability and good dynamics of the Board. The GNRC believes that our Board continues to have the appropriate skills, knowledge and experience to oversee the effective delivery of our strategy. Throughout the year, Directors took opportunities to meet with senior management across the Group.

GNRC ACTIVITIES & FOCUS IN FY2019

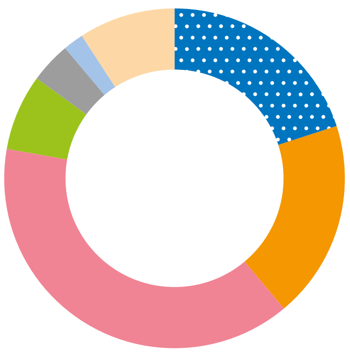
STRATEGIC	GOVERNANCE	REMUNERATION	NOMINATION
Oversee management succession	Review Board evaluation & effectiveness	Review Board & senior management remuneration framework	Review & recommend Directors standing for re-election at the AGM
Review Board composition & dynamics	Review NED independence	Review Directors' remuneration & benefits payable	
	Review ASEAN CG Scorecard performance		

LOOKING AHEAD TO 2020

During the year, our GNRC will continue to focus on:

- Monitoring senior management succession planning
- Reviewing Board size and composition

Key Learning Areas/Topics



Corporate Governance	20%
Risk Management & Internal Control	19%
Economic, Finance & Business	39%
Sustainability	7%
IT Security	4%
Regulatory Compliance	2%
Leadership & Management	9%

Board Development

In March 2019, Board members visited our Morisem plantation estate, Morisem mill, research department, refinery and kernel crushing plant. We regard these site visits as an important part of continuing education as well as an essential part of the induction process for new Directors. They help Directors understand the Group's activities through the direct experience of observing the Group's operations and engaging in discussions with a range of employees.

In order to continue to contribute effectively to the Board and Board Committee meetings, Directors are regularly provided the opportunity to take part in ongoing training and development and can also request specific training that they may consider necessary or useful. The diagram shows the key learning areas/topics. The details of training attended by our Directors in FY2019 can be found in our website at www.ioigroup.com/Content/G/G_Governance.

Directors' Remuneration

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the former Executive Chairman, the Chairman, GMD and NEDs to the GNRC. The Board as a whole considers the fees paid to NEDs.

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

Appointment	Per annum (RM)
Board of Directors	
Base fee	130,000
Chairman's fee	115,000
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

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during FY2019 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 *(demised on 1/6/2019)*	119	5,280	23	79	**5,501**	–	–	–	**5,501**
Dato' Lee Yeow Chor	130	15,325	35	118	**15,608**	–	–	–	**15,608**
Lee Cheng Leang *(retired on 31/3/2019)*	98	–	–	4	**102**	332	10	**342**	**444**
Total	**347**	**20,605**	**58**	**201**	**21,211**	**332**	**10**	**342**	**21,553**
Non-Executive Directors									
Tan Sri Peter Chin Fah Kui	195	–	–	17	**212**	–	–	–	**212**
Tan Sri Dr Rahamat Bivi binti Yusoff	163	–	–	13	**176**	–	–	–	**176**
Datuk Karownakaran @ Karunakaran a/l Ramasamy	200	–	–	17	**217**	–	–	–	**217**
Lee Yeow Seng	130	–	–	4	**134**	–	–	–	**134**
Cheah Tek Kuang	185	–	–	15	**200**	–	–	–	**200**
Lim Tuang Ooi *(resigned on 31/3/2019)*	130*	–	–	13	**143**	–	–	–	**143**
Total	**1,003**	**–**	**–**	**79**	**1,082**	**–**	**–**	**–**	**1,082**

Notes:

+ The salary (RM3.6 million) and variable bonus of GMD are inclusive of Employer Provident Fund contributions. Bonus entitlement for the former Executive Chairman has not been included as the estate of the late Tan Sri Dato' Lee Shin Cheng has decided to voluntarily waive the bonus entitlement subsequent to the date of issuance of the financial statements.

^ 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.

Number of Directors whose remuneration falls into the following bands:

	Number of Directors	
Range of Remuneration	Executive	Non-Executive
RM100,001 to RM150,000	–	2
RM150,001 to RM200,000	–	2
RM200,001 to RM250,000	–	2
RM250,001 to RM400,000	–	–
RM400,001 to RM450,000	1	–
RM450,001 to RM5,500,000	–	–
RM5,500,001 to RM5,550,000	1	–
RM5,550,001 to RM15,600,000	–	–
RM15,600,001 to RM15,650,000	1	–

Effective Audit, Risk Management and Internal Control

The members of the ARMC possess the financial knowledge and commercial experience to meet the needs of the Board and the business. Management has assessed the internal control over financial reporting as of 30 June 2019. In making its assessment, management utilised the criteria set out in the Committee of Sponsoring Organisations ("COSO") framework and concluded that, based on its assessment the internal control over financial reporting was effective. The Enterprise Risk Management ("ERM") framework is the

Corporate Governance Overview Statement

risk management and internal control framework for the Group. The review of the effectiveness of the risk management and internal control system is achieved through reviewing the effectiveness of frameworks, principles and processes contained within the ERM.

During 2019, 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 Group Internal Audit, 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 Risk Management and Internal Control.

Composition of Shareholders
as at 30 August 2019

Malaysian Substantial Shareholders	62.31%
Malaysian Bodies Corporate and Individuals	27.51%
Government and other Government related agencies	Negligible
Foreigners	10.18%

Ethics, Anti-Bribery and Corruption

Our values and behaviours drive our culture and conduct throughout the Group. Our values, Code of Business Conduct (the "Code") and associated Group's policies support employees in doing the right thing, making the right decisions and working in the right way. We have a zero-tolerance approach to misconduct of any kind and will take disciplinary action, up to and including dismissal, in the event of a breach. Our Business Ethics, Compliance, Anti-Corruption & Money Laundering Policy (the "Policy") is clear in our commitment to not tolerate bribery or corruption of any form. During FY2019, we continued to take steps to strengthen our anti-bribery and corruption compliance, including updating our Policy and continuing our monitoring work. Employees deemed to have a higher likelihood of exposure to potential bribery and corruption, due to their work location or role type, are required to complete training. This year's training will focus on gifts and hospitality.

Stakeholders' Engagement

We recognise the importance of listening to, and understanding the views of our stakeholders for the purpose of obtaining feedback that can be used for the Board's decision-making. Particular importance is accorded to groups formed primarily by shareholders and investors, communities, non-profit organisations ("NGOs"), employees, regulators, suppliers, contractors and customers. This is due both to the influence they have on the business and their impact on our operations and organisational strategy.

A variety of engagement initiatives including direct meetings and dialogues with community are constantly conducted to learn about their welfare needs. For example, in our stakeholders' engagement event in November 2018 at the Pacific Sutera Hotel, Kota Kinabalu, our customers and NGOs were actively engaged with our Group Head of Sustainability, Head of Stakeholder Engagement, Group Head of Commodity Marketing, Director of Sustainability Tropical Oils and Proforest's Director, and the stakeholders were satisfied with IOI's sustainability performance updates.

We also actively seek solutions to grievances and disputes through an established grievance mechanism, negotiation and other due processes. These sets of handling procedures are developed to guide us in our resolutions with the stakeholders involved:

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

In March 2019, we reached an important milestone where all nine (9) of the affected communities participating in the IOI-Pelita dispute resolution process gave their consent for the implementation of the proposed resolution plan.

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 at 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.

Further details on stakeholders' engagement and partnership building are available in our Sustainability Report.

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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") for the financial year ended 30 June 2019 ("FY2019").

Our 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 three (3) following members, with all 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 Profiles of the Board of Directors section:

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

Tan Sri Peter Chin Fah Kui
Member
Independent Non-Executive Chairman

Cheah Tek Kuang
Member
Independent Non-Executive Director

Our ARMC considers that the ARMC Chairman and Cheah Tek Kuang have relevant financial experience.

Our Group Managing Director and Chief Executive, 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

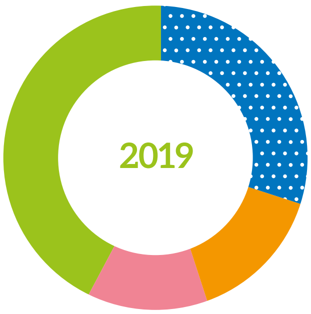
Our ARMC operates under a written Terms of Reference containing provisions that address requirements imposed by Bursa Malaysia. The full Terms of Reference of the ARMC is posted on the Corporate Governance section of the Company's website at www.ioigroup.com/Content/G/G_Governance or can be obtained 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 OUR COMMITTEE SPENT ITS TIME DURING FY2019

The table below provides an overview of how our ARMC spent its time in FY2019:



Financial Reporting	30%
Governance	15%
External Audit	13%
Internal Audit & Risk Management	42%

D. SUMMARY OF WORK OF OUR 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 our 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 FY2019 are described below:

1. Financial statements and reporting

Our 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 PLT. 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 FY2019 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 projected growth in future revenues and profit margins, cash flow forecasts and associated discounted rates. The ARMC received information on the nature of goodwill, and considered what factors might give rise to an impairment of the Group's goodwill, and whether those factors had arisen in the period. The ARMC constructively challenged the assumptions used by management and key assumptions used within the respective reviews. Following the discussion, the ARMC was satisfied with the goodwill and other assets impairment review in FY2019.

b) **Adoption of MFRSs 9, 15 and 16**

The Group has adopted MFRSs 9 and 15 which are effective in FY2019 and it has early-adopted MFRS 16 during FY2019, using the cumulative effect method as at 1 July 2018. Consequently the comparative information was not restated and was not comparable to the financial information of the current financial year. The Group has assessed the impact of these new standards and based on the assessment performed, there were no significant impacts on adoption of those MFRSs 9, 15 and 16 which are disclosed in Note 42 to the financial statements for FY2019. The ARMC was satisfied that the conclusions reached are appropriate.

c) **Valuation of put and call options**

Management has adopted the Binomial option pricing model in deriving the fair values of the put and call options and BDO PLT has evaluated the appropriateness of using this model, as well as expected underlying share price, expected exercise price, expected dividend yield, risk-free interest rate and expected volatility. The ARMC was satisfied that the options were valued appropriately.

d) **Accounting for derivative financial instruments other than put and call options**

Management has performed a reasonableness test based on certain inputs from available market information or contracts and compared these against the fair value provided by financial institutions before recording them in the financial statements. BDO PLT has discussed and evaluated the analysis of the contract terms, accounting treatment and assessing the process of management to derive the fair value. The ARMC was satisfied that the financial instruments were valued appropriately.

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.

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 FY2019. During the meeting, Key Audit Matters ("KAM") of the Group for FY2019 were presented by the external auditors and the ARMC reviewed and agreed that impairment assessment of the carrying amounts of goodwill and accounting for derivatives financial instruments 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 a high degree of estimation uncertainty on the assessment of impairment that requires estimates of future cash flows of operating segments of the Group (i.e. plantation and resource-based manufacturing), growth rates, pre-tax discount rates in determining the recoverable amounts; and

b) It was material and involved significant judgement and estimates in arriving at fair values as subjective variables needed to be used in order to determine the fair value in accordance with MFRS 9 *Financial Instruments*.

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 FY2019, the ARMC also received information on recommendations 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 Controllers or General Managers. 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 the 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 2019/2020; this considers factors such 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 November 2018, an independent quality assurance review on the Internal Audit function was conducted by KPMG and their findings and recommendations were presented to the ARMC. Based on the assessment results, there were numerous areas for improvements and conformance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors. Those deficiencies in practice did not preclude the Internal Audit function from performing its responsibilities in an accepted manner.

The Group 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 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 108 audit assignments (including sixteen (16) 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 ARMC relationship. Our ARMC has met two (2) times privately (without management presence) with the Head of Group Internal Audit during FY2019 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 FY2019 was RM3,617,865 (FY2018: RM3,987,464). The reduction in our internal audit function cost was mainly due to non-inclusion of such cost of Loders Croklaan Group B.V. ("Loders") following the divestment of Loders in FY2018.

4. Risk management

Our 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 FY2019, our 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. 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. Our 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 FY2019 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 are reported separately under the Statement on Risk Management and Internal Control on pages 98 to 102.

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 PLT. 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 PLT 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 PLT 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.

Our ARMC also considered the audit scope and materiality threshold.

Our ARMC met with BDO PLT 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 itself that management is responsive to their findings and recommendations. During FY2019, our ARMC met privately two (2) times with BDO PLT without management presence.

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

6. Auditors' re-appointment review

During FY2019, the ARMC assessed the effectiveness of BDO PLT as the external auditors. To assist the assessment, our 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 team's ability to challenge management as well as demonstrate professional scepticism and independence

i) Auditor's effectiveness

The ARMC considered the quality of reports from BDO PLT 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.

Our ARMC remains satisfied with the effectiveness of BDO PLT 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 key risks.

ii) Independence and objectivity

The ARMC reviews the work undertaken by BDO PLT 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 PLT'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 auditors on its own internal quality procedures.

The audit engagement partner is required to rotate every seven (7) years with cooling-off period of five (5) years as per BDO PLT firm policy, which is in accordance with the by By-Laws (on professional ethics, conduct and practice) of the Malaysian Institute of Accountants ("MIA"). To ensure objectivity, the rotation of audit partners' responsibilities within BDO PLT has taken place. The current audit engagement partner had been re-appointed in 2017. As part of the independence review process, BDO PLT is requested to formally confirm their independence in writing to the ARMC. BDO PLT 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.

Our ARMC concluded that it continues to be satisfied with the performance of BDO PLT and that BDO PLT 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. Pre-approval of non-audit fees is required for non-audit fees exceeding pre-determined thresholds.

Non-audit work undertaken during the period

The ARMC reviews non-audit fees charged by BDO PLT and reviews quarterly, the limits for pre-approval of non-audit fees. In particular, our ARMC pre-approved an engagement for BDO PLT to provide tax services for a special voluntary disclosure programme ("SVDP") of certain subsidiaries. Fees paid to BDO PLT for audit-related and non-audit services during FY2019 are set out in Note 10 to the audited financial statements.

BDO PLT also provided in its engagement letter 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 nature of the non-audit fees was mainly comprising MFRSs consultation, tax compliance and advisory services, of which 18% of the total non-audit fees were related to MFRSs consultation wherein BDO PLT are the auditors of the Company and plantation subsidiaries. The remaining non-audit fees relating to tax compliance and SVDP stood at 34%. In this respect, the ARMC has carefully considered the non-audit services provided during the year by BDO PLT and was satisfied that the provision of those non-audit services during the year by BDO PLT did not compromise the auditors' independence, to which in keeping with professional ethical standards, BDO PLT also confirmed their independence to the ARMC.

The ARMC believes that the provision of non-audit services in itself does not result in lower quality audits where necessary safeguards operate. The safeguards which currently exist as means of eliminating threats to BDO PLT's independence or reducing such threats "to an acceptable level" include, among others:

i) Those who provide the non-audit services, which may impose a self-review threat, are not the members of the audit team;

ii) The tax compliance and advisory services provided are one-off and transaction-based, and are not expected to recur; and

iii) The nature and scope of non-audit fees provided by BDO PLT to the Group are specifically not prohibited by the By-Laws of MIA or promulgations of the International Federation of Accountants.

The ARMC believes that the auditors undertaking audit-related services such as MFRSs consultation, are best suited to perform or provide such services, which help BDO PLT builds a deeper understanding of the Group and further its insights. This enhances professional scepticism and the quality of the audit.

Given the external auditors' detailed knowledge of the Group, the ARMC believes that it is in the interest of the Group that BDO PLT performed those services. The non-audit services accounted for 52% of the total audit fees payable to BDO PLT and affiliates in FY2019.

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 PLT, being RM1,046,540 for FY2019 (RM1,369,210 for FY2018) 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 PLT) is derived from the shareholders' approval granted at the Company's Annual General Meeting ("AGM") in 2018.

Recommendation to re-appointment

The ARMC considers the re-appointment of external auditors each year and as part of this process considers the independence of auditors and the effectiveness of the external audit process. Having reviewed the performance of BDO PLT in FY2019, our ARMC has decided to recommend to the Board that BDO PLT be reappointed for FY2020 audit and a resolution to this effect will be put to the 2019 AGM.

7. Other matters considered by our 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) Received RSPO compliance updates.

E. ATTENDANCE

Number of Meetings and Details of Attendance

Seven (7) meetings were held during FY2019. 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	6
Lim Tuang Ooi*	6	6

* Resigned on 31 March 2019

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	2

F. ANNUAL REVIEW AND PERFORMANCE EVALUATION

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 2020

In addition to our routine business, the ARMC has four (4) focus areas for 2020:

- Group digitalisation implementation
- Frameworks, policies, tools and talents in place to support effective internal control, risk management and oversight
- Risk appetite and stress testing (i.e. the level of risk the Group chooses to take in pursuit of our objectives, including testing to ensure the Group's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress)
- Business continuing plan of the Group

Corporate Governance Overview Statement

Statement on Risk Management and Internal Control

This statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers endorsed by Bursa Malaysia. It outlines the key elements required for maintaining a sound system of risk management and internal control, in line with the Malaysian Code on Corporate Governance.

ROLES AND RESPONSIBILITIES

Board of Directors

The Board of Directors ("the Board") affirms its overall responsibility for the Group's internal control system and its risk management practices. The Board continually articulates, reviews the adequacy and effectiveness of the Group's Enterprise Risk Management ("ERM") framework and internal controls, and ensures alignment with business objectives. However, it should be noted that internal controls are designed to manage rather than to totally eliminate associated risks; and as such, can only provide reasonable but not absolute assurance against fraud, material misstatement, financial loss or failure.

The ongoing risk management processes are established for identifying, evaluating, monitoring and managing the key principal risks faced by the Group in its achievement of strategic objectives. 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 ("ARMC") 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 ARMC ensures the Group's risks are identified and evaluated and the internal controls in place are adequate and effective to address the Group's principal risks.

Corporate Risk Management Department

The 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 a risk management framework, policies, processes and procedures; maintaining the risk register for the Group; monitoring operating units' compliance with the Group's policies and procedures; monitoring and reporting of key risks as identified by the Management and facilitating periodic 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. GIAD's primary role is to provide independent and objective assurance on the adequacy and effectiveness of governance, risk management and internal control processes by conducting regular audits and continuous assessments. The activities of the GIAD are carried out based on the Annual Audit Plan established on a risk-based approach which is reviewed and approved by the ARMC. Significant audit findings and recommendations for improvement are tabled quarterly to senior management and the ARMC, followed by periodic follow-up review of the implementation of corrective action plans.

GIAD's audit practices are guided by the Internal Audit Charter and International Professional Practices Framework published by the Institute of Internal Auditors Global.

RISK MANAGEMENT FRAMEWORK

The Group adopts an ERM framework which was formalised in 2002. The framework has been revised in 2019 and is consistent with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers, Bursa Malaysia's Corporate Governance Guide and ISO 31000: 2018, Risk Management – Guidelines.

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 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 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.

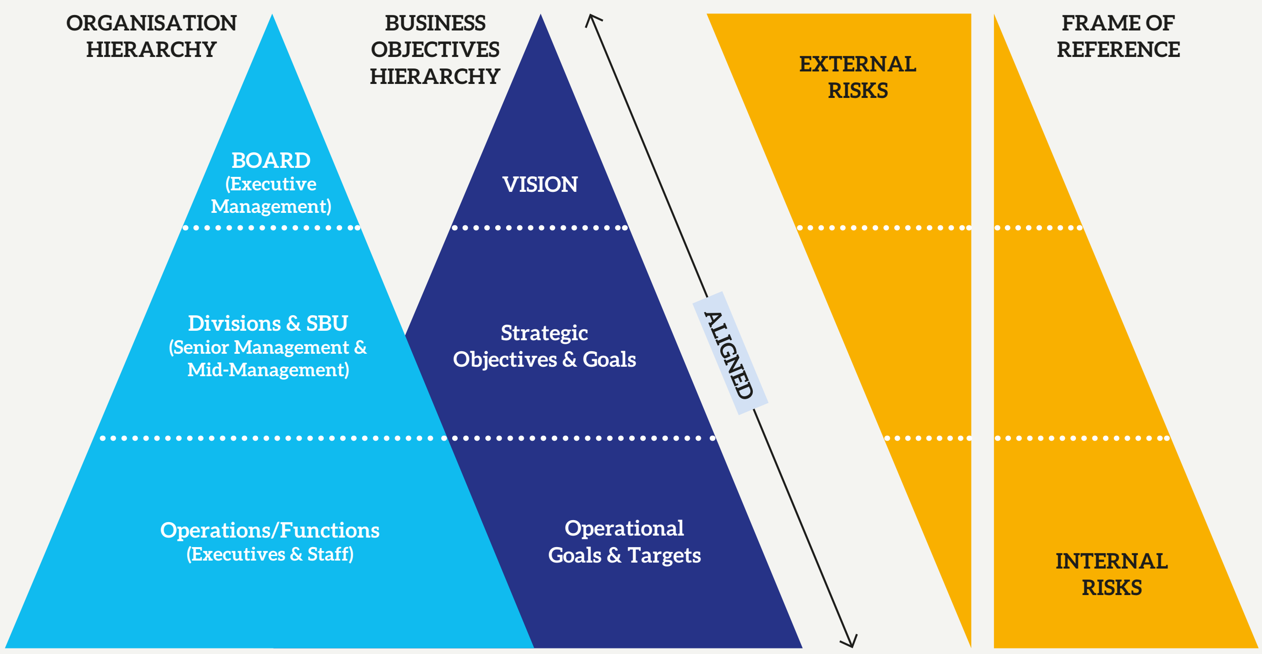
iii) Risk forbearance shall not exceed capabilities and capacity to manage

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) Risk management 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, monitoring and review.



Statement on Risk Management and Internal Control

The Group's key risk areas are finance, strategic, operation, regulatory compliance, reputation, cyber security and sustainability. The Group's overall risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential adverse effects on its performance and positions. The Group operates within an established risk management framework and clearly defined policies and guidelines that are approved by the Board.

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

i) Financial Risk

The Group is exposed to various financial risks relating to foreign currency exchange, interest rate, credit, liquidity and 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 194 to 227.

ii) Strategic Risk

The Group's principal objective is to deliver sustainable long-term returns for its shareholders and create long-term value for other stakeholders. This objective has significant impact on the Group's industry standing. Hence, senior management continually keeps abreast of strategic risk and international issues such as geopolitical and sustainability issues by considering alternatives, environmental assessments and internal and competitor analysis.

iii) Operational Risk

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

The management of the Group's day-to-day operational risks is primarily decentralised at the business unit level and guided by approved standard operating procedures. This includes risks relating to supply chain, production, marketing and distribution, safety, health and environment, sustainability and compliance with laws, regulations, certifications and quality accreditations. Operational risks that cut across the organisation, including those relating to the enterprise resource planning system (which includes business information systems), treasury management, transfer pricing, group sustainability and reputation, are coordinated centrally.

iv) Compliance Risk

The Group operates in diverse geographical locations and as such, is governed by relevant local and international laws, regulations, standards, certifications and accreditations, including Roundtable on Sustainable Palm Oil and International Sustainability and Carbon Certification certifications and ISO 9001:2000.

The Group Legal Counsel provides legal advisory and litigation support while the Company Secretary assists the Board of Directors in ensuring that the governance practices of the Group are in line with the Malaysian Corporate Governance Code and in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Companies Act 2016 and any relevant applicable securities laws in Malaysia.

v) Reputational Risk

As a palm oil producer, IOI constantly faces anti-palm oil sentiment and allegations from local and international non-governmental organisations ("NGOs"). Public misconception is that oil palm plantation drives deforestation and destruction of peatland areas. The Group will not only seek to ensure transparent and clear communication at all times in order to mitigate this risk and keep key stakeholders informed but will also follow up with clear action plans to address any grievances.

vi) Cyber Security Risk

The Group's business environment is exposed to cyber threats, such as malware, ransomware, unauthorised access, corruption or loss of information. To mitigate and defend against cyber threats, IOI undertakes a range of sustainable cybersecurity programmes to protect our internal IT assets and the information of our business partners. Our primary goals and objectives focus on the priorities of confidentiality, integrity and availability based on the criticality of the IT infrastructure and system. In addition, the enterprise network of IOI incorporates the concept of defence in depth, where multiple layers of security controls and defence are placed throughout our enterprise network for resiliency.

vii) Sustainability Risk

Sustainability is becoming a significant aspect of operations in both plantation and resource-based manufacturing segments. One of the challenges is the increased demand on traceability of palm oil and palm products, in particular the palm oil supply chain at various stages. In addition, NGOs have also intensified their scrutiny on both upstream and downstream sectors, 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 rights, as stated in the SPOP, by introducing industry-leading labour policies after extensive engagement with external and internal stakeholders. The policies include:

(i) Equal Opportunity Employment & Freedom of Association Policy,

(ii) Minimum Wages & Leave Pay Policies in Malaysia, and

(iii) Foreign Workers Recruitment Guideline & Procedures in Malaysia

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

IOI has also developed a Grievance Mechanism to provide a formal channel for full disclosure of grievance raised by any party. The Group believes in open dialogue, partnership and transparency and actively engages with stakeholders, especially 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 statistics, palm oil sources, production and uptake volumes, supplier engagement activities, and latest news.

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

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 its business objectives and goals.

Code of Business Conduct and Ethics

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

Whistleblowing Channel

The Group's Whistleblowing Policy was established in 2013 and further revised in 2017. The policy provides a dedicated and confidential channel for employees and stakeholders to disclose or raise genuine concerns on possible improprieties, improper conduct or other malpractices within the Group, in a transparent and confidential manner. GIAD acts as the Whistleblowing Secretariat. The feedback and communications received through the whistleblowing channel are presented to the ARMC.

Internal Control

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

(a) The Group has an organisational structure that is aligned with its business and operational requirements, with clearly defined roles, responsibilities 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 well-established and documented business processes which are aligned with the strategic business objectives and goals.

(c) Policies and procedures as well as 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 System 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. These are monitored on an ongoing basis.

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

(i) Board meetings are held at least quarterly with a formal agenda on matters for discussion. The Board is kept updated on the Group's activities and operations on a timely and regular basis.

RISK REVIEW FOR THE FINANCIAL YEAR

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

(a) Conducted reviews and updates of profiles of principal risks and emerging risks both internal and external which could 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 covering 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 Controls and Compliance.

The ARMC and the Board review bi-annually the principal risks of all business units to ensure that appropriate mitigating 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 2019. 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. 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 it 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 GMD and Group CFO that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group. This Statement on Risk Management and Internal Control 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 2019.

Statement of Directors' Interests

In the Company and its Related Corporations as at 30 August 2019 (Based on the Register of Directors' Shareholdings)

Name of Directors	Direct	%	Indirect	%
THE COMPANY				
No. of ordinary shares				
Tan Sri Peter Chin Fah Kui	–	–	20,000[1]	*
Dato' Lee Yeow Chor	9,818,800	0.16	2,999,913,380[2]	47.73
Lee Yeow Seng	–	–	2,999,783,380[3]	47.73
Datuk Karownakaran @ Karunakaran a/l Ramasamy	–	–	–	–
Tan Sri Dr Rahamat Bivi binti Yusoff	–	–	–	–
Cheah Tek Kuang	–	–	12,000[4]	*

By virtue of 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 the interest in shares of his spouse, Puan Sri Ruby Wee Hui Kiang pursuant to Section 59(11)(c) of the Companies Act 2016 (the "**Act**").

2 Deemed interested by virtue of his interest in Progressive Holdings Sdn Bhd ("**PH**"), pursuant to Section 8 of the Act and also interest in share of his spouse, Datin Joanne Wong Su-Ching pursuant to Section 59(11)(c) of the Act.

3 Deemed interested by virtue of his interest in PH, pursuant to Section 8 of the Act.

4 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 2019 or entered into since the end of the previous financial year.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

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

The total outstanding and movements of share options of the Company as at 30 June 2019 are set out in the table below:

		Number of Share Options				
Option price (RM)	Date of Offer	As at 1 July 2018	Granted and accepted	Exercised	Lapsed^	Outstanding as at 30 June 2019
4.42	12 October 2016	16,073,500	–	(245,000)	(2,242,500)	13,586,000
4.50	6 March 2019	–	6,470,000	–	(550,000)	5,920,000
		16,073,500	6,470,000	(245,000)	(2,792,500)	19,506,000

^ Due to resignation/retirement/death of employees.

The total number of share options granted to and accepted by the Group Managing Director and Chief Executive under the ESOS as at 30 June 2019 are set out in the table below:

		Number of Share Options			
Description	Option price (RM)	As at 1 July 2018	Granted and accepted	Exercised	Outstanding as at 30 June 2019
Group Managing Director and Chief Executive	4.42	1,270,000	–	–	1,270,000
	4.50	–	450,000	–	450,000

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 2019* (%)	Since Commencement of the ESOS up to 30 June 2019* (%)
Aggregate maximum allocation	0.10	0.41
Actual granted and accepted	0.10	0.40

* Based on the total number of shares with voting rights of 6,284,643,995 as at 30 June 2019.

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

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

Recurrent related party transactions of a revenue nature of IOIC Group conducted pursuant to shareholders' mandate for the financial year ended 30 June 2019 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] • The late Tan Sri Dato' Lee Shin Cheng ("**The late Tan Sri Lee**") [4] • Dato' Lee Yeow Chor ("**Dato' Lee**") [5] • Lee Yeow Seng ("**LYS**") [6] • Lee Cheng Leang ("**LCL**") [7] • Lee Yoke Ling ("**LY Ling**") [8] • Lee Yoke Har ("**LY Har**") [8] • Lee Yoke Hean ("**LY Hean**") [8] • Lee Yoke Hui ("**LY Hui**") [8]	10.7
GLM Emerald Industrial Park (Jasin) Sdn Bhd ("**GLM**") [1]	Purchase of FFB by Dynamic Plantations Berhad ("**DPB**") [1]	• PHSB [9] • The late Tan Sri Lee [10] • Dato' Lee [11] • LYS [12] • LCL [7] • LY Ling [8] • LY Har [8] • LY Hean [8] • LY Hui [8]	10.7

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 is the ultimate holding company of IOIPG and a deemed major shareholder of NFSB

3 PHSB is a major shareholder of IOIC and a deemed major shareholder of PPSB

4 The late Tan Sri Lee is a major shareholder of both VCSB and PHSB and a deemed major shareholder of IOIC, IOIPG, NFSB and PPSB

5 Dato' Lee is the Group Managing Director and Chief Executive ("GMD") of IOIC and a Director of IOIPG and a deemed major shareholder of both IOIC and IOIPG. He is the son of the late Tan Sri Lee and the brother of LYS. Dato' Lee is also a Director of PPSB

6 LYS is a Director of IOIC and the Chief Executive Officer of IOIPG and a deemed major shareholder of both IOIC and IOIPG. He is the son of the late Tan Sri Lee and the brother of Dato' Lee. LYS is also a Director of NFSB

7 LCL is the brother of the late Tan Sri Lee

8 LY Ling, LY Har, LY Hean and LY Hui are the daughters of the late Tan Sri Lee and the sisters of Dato' Lee and LYS

9 PHSB is a major shareholder of IOIC and a deemed major shareholder of DPB

10 The late Tan Sri is a major shareholder of PHSB and a deemed major shareholder of IOIC and DPB

11 Dato' Lee is the GMD of IOIC and a deemed major shareholder of IOIC. He is the son of the late Tan Sri Lee and the brother of LYS. Dato' Lee is also a Director of DPB

12 LYS is a Director of IOIC and a deemed major shareholder of IOIC. He is the son of the late Tan Sri Lee and the brother of Dato' Lee

UTILISATION OF PROCEEDS

On 1 March 2018, the Group completed the disposal of 70% equity interest in Loders Croklaan Group B.V. with a preliminary disposal consideration of USD595.0 million plus EUR303.4 million (total approximately RM3,784.7 million). On 23 October 2018, the Group had received a net adjustment amount of EUR11.5 million (approximately RM55.0 million) upon finalisation of the intermediate disposal consideration in accordance with the terms of the sale and purchase agreement ("SPA").

The status of the utilisation of proceeds as at 30 August 2019 is as follows:

				Deviation	
Purpose	Proposed Utilisation (RM million)	Actual Utilisation (RM million)	Intended Timeframe for Utilisation	(RM million)	%
Future investment	959.9	–	Within 24 months	–	–
Dividend to shareholders*	767.9	722.7	Within 12 months	45.2	6
Repayment of borrowings	1,919.9	1,919.9	Within 24 months	–	–
General working capital	182.4	182.4	Within 24 months	–	–
Transaction expenses	9.6	9.6	Immediate	–	–
Total	**3,839.7**	**2,834.6**		**45.2**	**6**

* Actual dividend to be distributed is dependent on the final disposal consideration. As at 30 August 2019, the disposal consideration is still pending the final adjustments in accordance with the terms of the SPA.

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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 2019.

PRINCIPAL ACTIVITIES

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

The principal activities and the details of the subsidiaries, associates and a joint venture are set out in Note 43 to the financial statements.

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

FINANCIAL RESULTS

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

In RM million	Group	Company
Profit before taxation	872.6	527.5
Taxation	(255.0)	(0.3)
Profit for the financial year	617.6	527.2
Attributable to:		
Owners of the parent	631.7	527.2
Non-controlling interests	(14.1)	–
	617.6	527.2

DIVIDENDS

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

In RM million	Company
In respect of the financial year ended 30 June 2018	
Second interim single tier dividend of 4.5 sen per ordinary share, paid on 21 September 2018	282.8
In respect of the financial year ended 30 June 2019	
First interim single tier dividend of 3.5 sen per ordinary share, paid on 22 March 2019	220.0
	502.8

On 15 August 2019, the Board of Directors proposed a final single tier dividend of 4.5 sen per ordinary share in respect of the financial year ended 30 June 2019 to be approved by the shareholders at the forthcoming Annual General Meeting of the Company. Based on the outstanding issued and paid-up ordinary shares of the Company as at 30 June 2019 of 6,284,643,995, the proposed final dividend amounts to RM282.8 million.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 245,000 ordinary shares for cash at RM4.42 per ordinary 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 26 October 2018.

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 defined below) of the Group in accordance with the By-Laws of the ESOS out of which 18,772,500 share options were accepted by the Eligible Persons. As at 30 June 2019, the number of outstanding share options was 13,586,000.

On 6 March 2019, the Company offered a total of 6,530,000 share options at an option price of RM4.50 per ordinary share to the Eligible Persons (as defined below) of the Group in accordance with the By-Laws of the ESOS out of which 6,470,000 share options were accepted by the Eligible Persons. As at 30 June 2019, the number of outstanding share options was 5,920,000.

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.

EXECUTIVE SHARE OPTION SCHEME (continued)

b) Eligibility

Employee of the Group

Subject to the discretion of the committee appointed by the Board to administer the 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.

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.

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.

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 2018	Granted and accepted	Exercised	Lapsed*	As at 30 June 2019
4.42	12 October 2016	16,073,500	–	(245,000)	(2,242,500)	13,586,000
4.50	6 March 2019	–	6,470,000	–	(550,000)	5,920,000
		16,073,500	6,470,000	(245,000)	(2,792,500)	19,506,000

* Due to resignation/retirement/death of employees as at 30 June 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

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 (Demised on 1 June 2019)
Dato' Lee Yeow Chor
Lee Cheng Leang (Retired on 31 March 2019)
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 (Resigned on 31 March 2019)

In accordance with Article 101 of the Company's Constitution, Lee Yeow Seng and Tan Sri Peter Chin Fah Kui retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

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 2018	Acquired	Disposed	As at 30 June 2019
Direct interests				
The Company				
Dato' Lee Yeow Chor	9,280,400	538,400	–	9,818,800
Lee Yeow Seng	4,180,400	–	(4,180,400)	–
Indirect interests				
The Company				
Dato' Lee Yeow Chor	2,995,773,380	1,821,900	–	2,997,595,280
Lee Yeow Seng	2,995,653,380	1,811,900	–	2,997,465,280
Tan Sri Peter Chin Fah Kui	20,000	–	–	20,000
Cheah Tek Kuang	12,000	–	–	12,000

DIRECTORS' INTERESTS (continued)

The movements of the options over the unissued ordinary shares in the Company granted under the ESOS to the following 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 2018	Granted and accepted	Exercised	As at 30 June 2019
Direct interests					
Dato' Lee Yeow Chor	4.42	1,270,000	–	–	1,270,000
Dato' Lee Yeow Chor	4.50	–	450,000	–	450,000

By virtue of Section 8(4) of the Companies Act 2016 in Malaysia, Dato' Lee Yeow Chor and Lee Yeow Seng are also deemed to be interested in the shares of all the subsidiaries of the Company to the extent that the Company has an interest.

The other Directors holding office at the end of the financial year namely, Tan Sri Dr Rahamat Bivi binti Yusoff and Datuk Karownakaran @ Karunakaran a/l Ramasamy did not have any interest in the ordinary shares and options over ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) 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 2019 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.

OTHER STATUTORY INFORMATION

As at the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company that would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

i. the results of operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

LIST OF DIRECTORS OF SUBSIDIARIES

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

Tan Sri Dato' Lee Shin Cheng#
Dato' Lee Yeow Chor
Lee Cheng Leang
Lee Yeow Seng
Chan Fong Ann
Datu Sajeli bin Kipli
Datuk Saddi bin Abdu Rahman^
Datuk Seri Panglima Haji Abdul Rahim Ismail^
Frank Salazar @ Franco*
Goh Pet Choo
Gurdev Singh a/l Darshan Singh
Honorsius Borsuin*
Jazuli Wilaksono bin Sunarto^
Joseph N Emuang JR
Kamsen Saragih
Koo Ping Wui
Lai Choon Wah
Lawrence Lee Beng Teck
Lee Beng Hong
Lee Beng Kiong
Lee Tuan Meng
Lee Yoke Hean
Lim Jit Uei (Lin Riwei)
Low Pei Chen*
Panjang Yuswanto
Peter Lauenborg From
Qadaffy MT Aidala*
Risman
Sebastian Anak Baya
Subramaniam Arumugam
Sudhakaran a/l Nottath Bhaskaran
Shyam a/l M K Lakshmanan*
Tan Kean Hua
Tan Keng Seng
Tan Kim Ha
Tan Sri Dato' Sri Koh Kin Lip
Teah Chin Guan @ Teh Chin Guan
Willy Heriadi

^ Resigned during the financial year.
* Appointed during the financial year.
# Demised during the financial year.

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 2019.

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

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:

Dato' Lee Yeow Chor (Chairman)
Lee Yeow Seng

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), 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 2019 are set out in Note 10 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Tan Sri Peter Chin Fah Kui
Independent Non-Executive Chairman

Dato' Lee Yeow Chor
Group Managing Director and Chief Executive

Putrajaya
12 September 2019

Statements of Profit or Loss

For the financial year ended 30 June 2019

In RM million	Note	Group 2019	Group 2018	Company 2019	Company 2018
Continuing operations					
Revenue	5	**7,385.6**	7,417.6	**588.8**	1,083.2
Cost of sales		**(6,205.4)**	(5,674.1)	**(5.8)**	(5.7)
Gross profit		**1,180.2**	1,743.5	**583.0**	1,077.5
Other operating income	6	**850.8**	791.7	**95.2**	67.9
Marketing and selling expenses		**(181.9)**	(177.9)	**–**	–
Administration expenses		**(326.7)**	(320.7)	**(42.8)**	(57.4)
Other operating expenses	7	**(613.5)**	(794.3)	**(73.1)**	(83.1)
Operating profit		**908.9**	1,242.3	**562.3**	1,004.9
Share of results of associates		**170.8**	140.9	**–**	–
Share of result of a joint venture		**(2.9)**	(2.6)	**–**	–
Profit before interest and taxation		**1,076.8**	1,380.6	**562.3**	1,004.9
Interest income	8	**73.4**	71.9	**60.4**	56.9
Finance costs	9	**(175.5)**	(200.1)	**(101.8)**	(139.9)
Net foreign currency translation (loss)/gain on foreign currency denominated borrowings		**(123.4)**	297.7	**(14.6)**	160.0
Net foreign currency translation gain on foreign currency denominated deposits		**21.3**	20.6	**21.2**	22.1
Profit before taxation	10	**872.6**	1,570.7	**527.5**	1,104.0
Taxation	11	**(255.0)**	(334.0)	**(0.3)**	(12.5)
Profit for the financial year from continuing operations		**617.6**	1,236.7	**527.2**	1,091.5
Discontinued operations	12				
Profit from discontinued operations, net of tax		**–**	151.9	**–**	–
Gain on disposal of discontinued operations		**–**	1,154.8	**–**	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	**–**	2,154.3
Profit for the financial year		**617.6**	3,068.3	**527.2**	3,245.8
Attributable to owners of the parent					
From continuing operations		**631.7**	1,228.9	**527.2**	1,091.5
From discontinued operations		**–**	1,831.6	**–**	2,154.3
		631.7	3,060.5	**527.2**	3,245.8
Attributable to non-controlling interests		**(14.1)**	7.8	**–**	–
		617.6	3,068.3	**527.2**	3,245.8

The notes on pages 128 to 238 form an integral part of the financial statements.

Statements of Profit or Loss

For the financial year ended 30 June 2019

		Group		Company	
In sen	Note	**2019**	2018	**2019**	2018
Earnings per ordinary share attributable to owners of the parent	13				
Basic earnings per share					
From continuing operations		**10.05**	19.56		
From discontinued operations		**–**	29.14		
		10.05	48.70		
Diluted earnings per share					
From continuing operations		**10.05**	19.56		
From discontinued operations		**–**	29.14		
		10.05	48.70		
Dividend per ordinary share	14				
First interim single tier dividend		**3.5**	4.5	**3.5**	4.5
Special single tier dividend		**–**	11.5	**–**	11.5
Second interim single tier dividend		**–**	4.5	**–**	4.5
Final single tier dividend		**4.5**	–	**4.5**	–
Total		**8.0**	20.5	**8.0**	20.5

The notes on pages 128 to 238 form an integral part of the financial statements.

Statements of Comprehensive Income

For the financial year ended 30 June 2019

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Profit for the financial year	**617.6**	3,068.3	**527.2**	3,245.8
Other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss				
Share of other comprehensive loss of associates	**(3.9)**	(4.8)	**–**	–
Share of reserves of associates arising from changes in accounting estimates	**–**	9.9	**–**	–
Re-measurements of the defined benefit obligations	**(0.8)**	(1.7)	**–**	–
	(4.7)	3.4	**–**	–
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met				
Exchange differences on translation of foreign operations	**55.0**	(145.4)	**–**	–
Other comprehensive income reclassified subsequently to profit or loss arising from discontinued operations	**–**	112.4	**–**	–
Share of other comprehensive loss of associates	**(14.0)**	(1.7)	**–**	–
Hedge of net investments in foreign operations	**10.1**	(4.3)	**–**	–
	51.1	(39.0)	**–**	–
Other comprehensive income/(loss) for the financial year, net of tax	**46.4**	(35.6)	**–**	–
Total comprehensive income for the financial year	**664.0**	3,032.7	**527.2**	3,245.8
Total comprehensive income/(loss) attributable to:				
Owners of the parent	**681.4**	3,016.2	**527.2**	3,245.8
Non-controlling interests	**(17.4)**	16.5	**–**	–
	664.0	3,032.7	**527.2**	3,245.8

The notes on pages 128 to 238 form an integral part of the financial statements.

Statements of Financial Position

As at 30 June 2019

		Group		Company	
In RM million	Note	**2019**	2018	**2019**	2018
ASSETS					
Non-current assets					
Property, plant and equipment	15	**8,458.8**	8,411.2	**84.9**	86.5
Right-of-use assets	16	**14.1**	–	**–**	–
Intangible assets	17	**412.2**	394.9	**–**	–
Investments in subsidiaries	18	**–**	–	**6,809.5**	6,838.1
Amounts due from subsidiaries	18	**–**	–	**792.8**	677.6
Investments in associates	19	**2,610.1**	2,491.1	**791.3**	788.3
Derivative assets	20	**154.3**	155.4	**–**	13.1
Deferred tax assets	21	**9.5**	14.7	**6.3**	–
Other non-current assets	22	**46.3**	51.6	**27.0**	32.0
		11,705.3	11,518.9	**8,511.8**	8,435.6
Current assets					
Inventories	23	**778.0**	949.1	**–**	–
Trade and other receivables	24	**773.5**	816.2	**21.9**	50.3
Amounts due from subsidiaries	18	**–**	–	**419.6**	34.0
Derivative assets	20	**407.7**	398.9	**346.4**	350.4
Other investments	25	**69.2**	86.1	**4.3**	4.4
Amounts due from associates	26	**94.4**	147.4	**–**	4.6
Other current assets	27	**73.5**	61.4	**2.4**	1.1
Short term funds	28	**1,775.7**	1,087.9	**–**	–
Deposits with financial institutions	29	**302.6**	1,276.0	**210.2**	971.4
Cash and bank balances		**520.3**	400.7	**16.5**	88.0
		4,794.9	5,223.7	**1,021.3**	1,504.2
TOTAL ASSETS		**16,500.2**	16,742.6	**9,533.1**	9,939.8

The notes on pages 128 to 238 form an integral part of the financial statements.

In RM million	Note	Group 2019	Group 2018	Company 2019	Company 2018
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	30	**788.1**	786.7	**788.1**	786.7
Reserves	31	**34.6**	(16.9)	**17.4**	16.4
Retained earnings		**8,476.9**	8,386.5	**6,173.6**	6,183.6
		9,299.6	9,156.3	**6,979.1**	6,986.7
Non-controlling interests		**211.1**	259.4	**–**	–
Total equity		**9,510.7**	9,415.7	**6,979.1**	6,986.7
LIABILITIES					
Non-current liabilities					
Borrowings	32	**4,451.9**	4,284.5	**579.7**	444.3
Amounts due to subsidiaries	18	**–**	–	**1,397.4**	1,239.3
Derivative liabilities	20	**30.3**	53.6	**30.3**	53.6
Lease liabilities	16	**38.3**	–	**–**	–
Deferred tax liabilities	21	**1,153.0**	1,114.7	**–**	3.4
Other non-current liabilities	33	**93.4**	91.7	**–**	–
		5,766.9	5,544.5	**2,007.4**	1,740.6
Current liabilities					
Borrowings	32	**408.7**	894.8	**124.3**	643.1
Trade and other payables	34	**600.3**	614.1	**89.6**	137.1
Amounts due to subsidiaries	18	**–**	–	**206.0**	257.9
Derivative liabilities	20	**149.5**	213.3	**126.7**	174.4
Lease liabilities	16	**6.8**	–	**–**	–
Other current liabilities	35	**57.3**	60.2	**–**	–
		1,222.6	1,782.4	**546.6**	1,212.5
Total liabilities		**6,989.5**	7,326.9	**2,554.0**	2,953.1
TOTAL EQUITY AND LIABILITIES		**16,500.2**	16,742.6	**9,533.1**	9,939.8

The notes on pages 128 to 238 form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 30 June 2019

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 30)	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 128 to 238 form an integral part of the financial statements.

In RM million	Share capital	Non-distributable: Capital reserves	Other reserves	Hedging reserve	Foreign currency translation reserve	Distributable: Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
Group									
As at 1 July 2018									
As previously reported	786.7	24.1	(12.8)	(4.2)	(24.0)	8,386.5	9,156.3	259.4	9,415.7
Effects on adoption of MFRSs 9, 15 and 16 (Note 42.1)	–	–	–	–	–	(40.3)	(40.3)	–	(40.3)
As restated	786.7	24.1	(12.8)	(4.2)	(24.0)	8,346.2	9,116.0	259.4	9,375.4
Profit for the financial year	–	–	–	–	–	631.7	631.7	(14.1)	617.6
Re-measurements of the defined benefit obligations	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Exchange differences on translation of foreign operations	–	–	–	–	58.3	–	58.3	(3.3)	55.0
Share of other comprehensive loss of associates	–	–	(3.9)	–	(14.0)	–	(17.9)	–	(17.9)
Hedge of net investments in foreign operations	–	–	–	10.1	–	–	10.1	–	10.1
Total comprehensive (loss)/income	–	–	(3.9)	10.1	44.3	630.9	681.4	(17.4)	664.0
Transactions with owners									
Dividends paid in respect of current financial year (Note 14)	–	–	–	–	–	(220.0)	(220.0)	–	(220.0)
Dividends paid in respect of previous financial year (Note 14)	–	–	–	–	–	(282.8)	(282.8)	–	(282.8)
Issue of shares arising from exercise of share options (Note 30)	1.4	(0.3)	–	–	–	–	1.1	–	1.1
Recognition of share options expenses (Note 30.1.3)	–	3.9	–	–	–	–	3.9	–	3.9
ESOS lapsed	–	(2.6)	–	–	–	2.6	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(30.9)	(30.9)
As at 30 June 2019	788.1	25.1	(16.7)	5.9	20.3	8,476.9	9,299.6	211.1	9,510.7

The notes on pages 128 to 238 form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 30 June 2019

In RM million	Share capital	Non-distributable Capital reserves	Distributable 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 30)	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

In RM million	Share capital	Non-distributable Capital reserves	Distributable Retained earnings	Total equity
Company				
As at 1 July 2018				
As previously reported	**786.7**	**16.4**	**6,183.6**	**6,986.7**
Effects on adoption of MFRSs 9, 15 and 16 (Note 42.1)	**–**	**–**	**(37.0)**	**(37.0)**
As restated	**786.7**	**16.4**	**6,146.6**	**6,949.7**
Profit for the financial year	**–**	**–**	**527.2**	**527.2**
Total comprehensive income	**–**	**–**	**527.2**	**527.2**
Transactions with owners				
Dividends paid in respect of current financial year (Note 14)	**–**	**–**	**(220.0)**	**(220.0)**
Dividends paid in respect of previous financial year (Note 14)	**–**	**–**	**(282.8)**	**(282.8)**
Issue of shares arising from exercise of share options (Note 30)	**1.4**	**(0.3)**	**–**	**1.1**
Recognition of share options expenses (Note 30.1.3)	**–**	**3.9**	**–**	**3.9**
ESOS lapsed	**–**	**(2.6)**	**2.6**	**–**
As at 30 June 2019	**788.1**	**17.4**	**6,173.6**	**6,979.1**

The notes on pages 128 to 238 form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended 30 June 2019

		Group		Company	
In RM million	Note	**2019**	2018	**2019**	2018
Cash Flows From Operating Activities					
Profit before taxation					
From continuing operations		**872.6**	1,570.7	**527.5**	1,104.0
From discontinued operations		**–**	1,859.2	**–**	2,154.3
		872.6	3,429.9	**527.5**	3,258.3
Adjustments for:					
Depreciation of property, plant and equipment	15	**362.2**	407.3	**1.6**	1.8
Finance costs		**175.5**	205.8	**101.8**	139.9
Net foreign currency translation loss/(gain) on foreign currency denominated borrowings		**123.4**	(297.7)	**14.6**	(160.0)
Net fair value loss/(gain) on other investments		**16.6**	17.8	**0.1**	(0.4)
Property, plant and equipment written off		**7.8**	12.1	**–**	–
Depreciation of right-of-use assets	16	**7.1**	–	**–**	–
Net inventories written down to net realisable values		**5.8**	17.6	**–**	–
Impairment losses on receivables		**5.8**	2.3	**–**	–
Amortisation of intangible assets	17.2	**5.7**	1.1	**–**	–
Net loss/(gain) arising from changes in fair value of biological assets	27.1	**5.6**	23.9	**(0.1)**	0.1
Retirement benefits expenses	33.1	**5.0**	4.2	**–**	–
Net unrealised foreign currency translation loss/(gain)		**4.7**	15.7	**0.4**	(20.5)
Share option expenses	30.1	**3.9**	–	**0.6**	–
Share of result of a joint venture		**2.9**	2.6	**–**	–
Reversal of impairment loss on advances to a joint venture		**(0.5)**	–	**(0.5)**	–
Reversal of impairment losses on advances to associates		**(0.6)**	–	**–**	–
Gain arising from acquisition of interest in an associate		**(0.9)**	(4.3)	**–**	–
Reversal of impairment losses on receivables		**(1.7)**	(0.2)	**–**	–
Amortisation of deferred income	33.2	**(2.5)**	(2.6)	**–**	–
Dividend income from other investments		**(2.8)**	(3.1)	**(0.2)**	(0.1)
Net gain on disposal of property, plant and equipment		**(4.7)**	(2.6)	**(0.2)**	–
Net unrealised foreign currency translation gain on foreign currency denominated deposits		**(6.0)**	(39.9)	**(6.0)**	(41.4)
Gain on disposal of 70% equity interest in Loders arising from adjustments on disposal consideration		**(9.4)**	–	**(9.4)**	–
Net fair value gain on derivative financial instruments		**(28.9)**	(26.2)	**–**	–
Net fair value (gain)/loss on put and call options		**(43.7)**	6.8	**(43.7)**	6.8
Interest income		**(73.4)**	(61.4)	**(60.4)**	(56.9)
Share of results of associates		**(170.8)**	(140.9)	**–**	–
Net cash generated from operating activities carried forward		**1,258.7**	3,568.2	**526.1**	3,127.6

The notes on pages 128 to 238 form an integral part of the financial statements.

Statements of Cash Flows
For the financial year ended 30 June 2019

In RM million	Note	Group 2019	Group 2018	Company 2019	Company 2018
Cash Flows From Operating Activities (continued)					
Net cash generated from operating activities brought forward		**1,258.7**	3,568.2	**526.1**	3,127.6
Impairment losses on property, plant and equipment	15	**–**	15.8	**–**	–
Impairment losses on goodwill	17.1	**–**	2.0	**–**	–
Amortisation of prepaid lease payments		**–**	0.1	**–**	–
Initial recognition of fair value of put and call options	12.1	**–**	(182.8)	**–**	(182.8)
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)
Impairment losses on investments in subsidiaries	18.1	**–**	–	**28.3**	–
Impairment losses on advances to subsidiaries	18.2.1	**–**	–	**11.2**	4.2
Impairment loss on investment in a joint venture	22.3	**–**	–	**2.9**	18.0
Reversal of impairment losses on advances to subsidiaries	18.2.1	**–**	–	**(0.2)**	–
Fair value changes on financial guarantee contracts	34.3	**–**	–	**(2.2)**	–
Dividend income from subsidiaries		**–**	–	**(550.5)**	(1,014.2)
Gain arising from the internal restructuring	12.1	**–**	–	**–**	(52.6)
Operating profit/(loss) before working capital changes		**1,258.7**	1,906.4	**15.6**	(18.7)
Decrease in inventories		**165.3**	66.1	**–**	–
Decrease/(Increase) in trade receivables		**36.3**	(77.7)	**–**	–
Decrease/(Increase) in other receivables, deposits and prepayments		**32.0**	282.8	**4.7**	(4.7)
Increase/(Decrease) in trade payables		**19.1**	(418.9)	**–**	–
(Decrease)/Increase in other payables and accruals		**(55.0)**	26.7	**(75.5)**	14.1
Cash generated from/(used in) operations		**1,456.4**	1,785.4	**(55.2)**	(9.3)
Tax refunded		**28.4**	7.1	**3.7**	2.9
Retirement benefits paid	33.1	**(2.0)**	(2.3)	**–**	–
Tax paid		**(270.1)**	(421.4)	**(6.3)**	(9.3)
Net cash from/(used in) operating activities		**1,212.7**	1,368.8	**(57.8)**	(15.7)

The notes on pages 128 to 238 form an integral part of the financial statements.

In RM million	Note	Group 2019	Group 2018	Company 2019	Company 2018
Cash Flows From Investing Activities					
Dividends received from associates		**74.1**	49.6	**–**	–
Interest received		**72.4**	56.9	**17.5**	12.9
Proceeds from disposal of 70% equity interest in Loders arising from finalisation of the intermediate disposal consideration		**54.8**	–	**54.8**	–
Proceeds from disposal of property, plant and equipment		**6.3**	4.0	**0.2**	–
Payments from/(advances to) associates		**4.7**	(5.7)	**4.6**	(4.6)
Dividends received from other investments		**2.8**	3.1	**0.2**	0.1
Additional investment in an associate		**(3.0)**	(1.5)	**(3.0)**	(1.5)
Additions to intangible assets	17.2	**(22.7)**	–	**–**	–
Additions to property, plant and equipment	15	**(395.7)**	(444.3)	**–**	(0.1)
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed	12.1.1	**–**	3,448.7	**–**	3,771.3
Additions to other investments		**–**	(0.3)	**–**	–
Additions to prepaid lease payments		**–**	(0.2)	**–**	–
Dividends received from subsidiaries		**–**	–	**550.5**	1,014.2
Redemption of preference shares		**–**	–	**0.3**	1.4
Payments to subsidiaries		**–**	–	**(469.7)**	(1,332.7)
Additional investments in subsidiaries		**–**	–	**–**	(55.5)
Net cash (used in)/from investing activities		**(206.3)**	3,110.3	**155.4**	3,405.5
Cash Flows From Financing Activities					
Drawdown of Islamic financing facilities		**125.9**	–	**125.9**	–
Proceeds from issuance of shares arising from exercise of share options		**1.1**	2.4	**1.1**	2.4
Payments of lease interest	16.2.2	**(2.8)**	–	**–**	–
Payments of lease liabilities	16.2.2	**(7.0)**	–	**–**	–
Dividends paid to non-controlling interests		**(30.9)**	(18.4)	**–**	–
Repayments of Islamic financing facilities		**(84.4)**	(1,570.2)	**–**	(1,327.6)
Finance costs paid		**(176.4)**	(205.6)	**(26.2)**	(46.1)
Net (repayments)/drawdowns of short term borrowings		**(501.0)**	(164.0)	**(534.3)**	276.6
Dividends paid	14	**(502.8)**	(1,319.7)	**(502.8)**	(1,319.7)
Net cash used in financing activities		**(1,178.3)**	(3,275.5)	**(936.3)**	(2,414.4)
Net (decrease)/increase in cash and cash equivalents		**(171.9)**	1,203.6	**(838.7)**	975.4
Cash and cash equivalents at beginning of financial year		**2,764.6**	1,522.1	**1,059.4**	42.6
Effects of exchange rate changes		**5.9**	38.9	**6.0**	41.4
Cash and cash equivalents at end of financial year	36	**2,598.6**	2,764.6	**226.7**	1,059.4

The notes on pages 128 to 238 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 and the details of the subsidiaries, associates and a joint venture are set out in Note 43 to the financial statements.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

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 1 *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*

MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*

MFRS 15 *Revenue from Contracts with Customers*

Clarification to MFRS 15

Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*

Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 – 2016 Cycle*

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 140 *Transfers of Investment Property*

Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts

MFRS 16 *Leases**

* Early adopted by the Group and the Company as disclosed in the financial statements.

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

3.1. New MFRSs adopted during the current financial year (continued)

There is no impact upon adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations during the financial year other than the adoption of MFRSs 9, 15 and 16 as described in the following sections:

MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* 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 have applied this standard for financial year beginning on 1 July 2018 where no restatement of comparatives was made in accordance with the transitional provisions provided in MFRS 9. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

<u>Classification and measurement</u>

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 is 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 are 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 are measured at FVTPL.

Classification and measurement of financial liabilities remains largely unchanged.

Overall, the Group and the Company have assessed that there is no significant impact to the financial statements in the area of classification and measurement for financial assets and financial liabilities.

<u>Impairment</u>

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 include trade and other receivables, advances to subsidiaries, associates and joint venture and financial guarantee provided to third party in securing borrowings of related companies.

The Group and the Company have elected to use the Simplified Approach and applied the provisional matrix approach using the flow-rate model to calculate expected credit loss for third party trade receivables and trade amounts due from associates. For financial assets other than trade receivables and trade amounts due from associates, the Group and the Company have applied the Three-stage General Approach of the 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 does not have any significant impact on the financial statements of the Group and of the Company.

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

3.1 New MFRSs adopted during the current financial year (continued)

MFRS 9 *Financial Instruments* (continued)

Hedge accounting

The requirements for general hedge accounting in MFRS 9 have been simplified and 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 there is no impact on the financial statements of the Group and of the Company.

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 cash flows 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 have applied this standard using retrospective approach with cumulative effect method. The cumulative effect of initially applying this standard is an adjustment to the opening balance of retained earnings on 1 July 2018.

The principles in MFRS 15 require 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 does not have any significant impact on the financial statements of the Group and of the Company.

3. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

3.1 New MFRSs adopted during the current financial year (continued)

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 supersedes 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 have early adopted this standard using cumulative effect method. The cumulative effect of initial application of this standard is an adjustment to the opening balances of retained earnings on 1 July 2018.

Other than the above, the Group elected to apply exemption for leases of equipment expiring within twelve (12) months under the Appendix C, paragraph 10(c) of the MFRS 16. The lease payments of these equipment are recognised as an expense on a straight line basis over the remaining lease terms.

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

The effects arising from the initial application of MFRSs 9, 15 and 16 are summarised in Note 42 to the financial statements.

3.2 New MFRSs that have been issued, but not yet effective and not yet adopted

Title	Effective Date
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
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	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 since the effects would only be observable in future financial years.

4. SEGMENTAL INFORMATION

The Group has two (2) reportable operating segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which require 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 segment 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								
2019								
Revenue								
External sales	185.6	7,184.3	15.7	–	7,385.6	–	–	7,385.6
Inter-segment sales	1,586.5	–	–	(1,586.5)	–	–	–	–
Total revenue	1,772.1	7,184.3	15.7	(1,586.5)	7,385.6	–	–	7,385.6
Result								
Operating profit	400.9	445.2	2.9	–	849.0	–	–	849.0
Share of results of associates	88.6	82.2	–	–	170.8	–	–	170.8
Share of result of a joint venture	–	(2.9)	–	–	(2.9)	–	–	(2.9)
Segment results before fair value adjustments	489.5	524.5	2.9	–	1,016.9	–	–	1,016.9
Net fair value (loss)/ gain on:								
Biological assets	(5.6)	–	–	–	(5.6)	–	–	(5.6)
Derivative financial instruments	–	28.9	–	–	28.9	–	–	28.9
Segment results	483.9	553.4	2.9	–	1,040.2	–	–	1,040.2

In RM million	Plantation	Resource-based manufacturing	Other operations	Total continuing operations	Discontinued operations	Total
Group						
2019						
Assets						
Operating assets	7,959.7	3,320.8	168.9	11,449.4	–	11,449.4
Interests in associates	922.0	1,688.1	–	2,610.1	–	2,610.1
Interest in a joint venture	–	27.0	–	27.0	–	27.0
Segment assets	8,881.7	5,035.9	168.9	14,086.5	–	14,086.5
Liabilities						
Segment liabilities	507.7	422.1	23.4	953.2	–	953.2
Other Information						
Capital expenditure	279.1	121.7	23.9	424.7	–	424.7
Depreciation and amortisation	273.7	97.4	3.9	375.0	–	375.0
Non-cash items other than depreciation and amortisation	12.0	53.8	1.2	67.0	–	67.0

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)	–
Total revenue	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 result of a joint venture	–	(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	7,802.2	3,411.2	84.9	11,298.3	–	11,298.3
Interests in associates	869.3	1,621.8	–	2,491.1	–	2,491.1
Interest in a joint venture	–	32.0	–	32.0	–	32.0
Segment assets	8,671.5	5,065.0	84.9	13,821.4	–	13,821.4
Liabilities						
Segment liabilities	592.5	385.8	21.1	999.4	–	999.4
Other Information						
Capital expenditure	233.2	62.0	9.3	304.5	144.5	449.0
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

4. SEGMENTAL INFORMATION (continued)

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

	2019				2018			
In RM million	Continuing operations	Discontinued operations	Adjustments	Total	Continuing operations	Discontinued operations	Adjustments*	Total
Group								
Profit or loss								
Segment results	**1,040.2**	**–**	**–**	**1,040.2**	1,398.7	195.7	–	1,594.4
Unallocated corporate net income/ (expenses)	**36.6**	**–**	**–**	**36.6**	(18.1)	–	–	(18.1)
Profit before interest and taxation	**1,076.8**	**–**	**–**	**1,076.8**	1,380.6	195.7	–	1,576.3
Finance costs	**(175.5)**	**–**	**–**	**(175.5)**	(200.1)	(22.5)	16.8	(205.8)
Interest income	**73.4**	**–**	**–**	**73.4**	71.9	6.3	(16.8)	61.4
Net foreign currency translation (loss)/ gain on foreign currency denominated borrowings	**(123.4)**	**–**	**–**	**(123.4)**	297.7	–	–	297.7
Net foreign currency translation gain on foreign currency denominated deposits	**21.3**	**–**	**–**	**21.3**	20.6	–	–	20.6
Profit before taxation	**872.6**	**–**	**–**	**872.6**	1,570.7	179.5	–	1,750.2
Taxation	**(255.0)**	**–**	**–**	**(255.0)**	(334.0)	(27.6)	–	(361.6)
	617.6	**–**	**–**	**617.6**	1,236.7	151.9	–	1,388.6
Gain on disposal of discontinued operations	**–**	**–**	**–**	**–**	–	1,154.8	–	1,154.8
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	**617.6**	**–**	**–**	**617.6**	1,236.7	1,831.6	–	3,068.3

Note:

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

4. SEGMENTAL INFORMATION (continued)

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

In RM million	Group 2019	Group 2018
Assets		
Segment assets	**14,086.5**	13,821.4
Unallocated corporate assets	**2,413.7**	2,921.2
Total assets	**16,500.2**	16,742.6
Liabilities		
Segment liabilities	**953.2**	999.4
Unallocated corporate liabilities	**6,036.3**	6,327.5
Total liabilities	**6,989.5**	7,326.9

Geographical Segments

In RM million	Malaysia	Europe	North America	Asia	Others	Consolidated
Group						
2019						
Revenue from external customers by location of customers	**1,544.9**	**1,899.6**	**221.1**	**3,388.5**	**331.5**	**7,385.6**
Segment assets by location of assets	**11,271.4**	**1,905.4**	**19.6**	**890.1**	**–**	**14,086.5**
Capital expenditure by location of assets	**328.1**	**18.7**	**–**	**77.9**	**–**	**424.7**
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	11,074.5	1,882.4	23.4	841.1	–	13,821.4
Capital expenditure by location of assets	264.4	25.1	41.0	66.9	51.6	449.0

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 2019	Group 2018	Company 2019	Company 2018
Revenue from contracts with customers				
Sales of plantation produce and related products	**185.6**	257.6	**8.2**	10.6
Resource-based manufacturing				
Total sales of resource-based manufacturing	**7,184.3**	8,583.0	**–**	–
Less: Sales to discontinued operations	**–**	(1,436.0)	**–**	–
	7,184.3	7,147.0	**–**	–
Others	**4.2**	–	**29.9**	58.3
	7,374.1	7,404.6	**38.1**	68.9
Other revenue				
Dividend income	**2.8**	3.1	**550.7**	1,014.3
Others	**8.7**	9.9	**–**	–
	11.5	13.0	**550.7**	1,014.3
Total Revenue	**7,385.6**	7,417.6	**588.8**	1,083.2

Disaggregation of revenue from contracts with customers are set out in Note 4 to the financial statements, which has been presented based on geographical location from which the sales transactions originated. No revenue was recognised over time other than management fees and advisory fees.

5.1 Commodities, other products and services

Revenue is recognised at a point in time upon delivery of products and customer acceptance, if any, or performance of services, net of discounts.

There is no material right of return and warranty provided to the customers.

There is no significant financing component in the revenue as the revenue is made on the normal credit terms not exceeding twelve (12) months.

5.2 Management fees and advisory fees

Management fees and advisory fees are recognised over time when customers simultaneously receive and consume the benefits.

5.3 Dividend income

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

6. OTHER OPERATING INCOME

Continuing Operations

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Amortisation of deferred income	**2.5**	2.6	**–**	–
Fair value gain on derivative financial instruments	**47.0**	48.8	**–**	–
Fair value gain on other investments	**0.3**	1.5	**–**	0.4
Fair value gain on put and call options	**43.7**	–	**43.7**	–
Fair value gain on short term funds	**13.2**	4.0	**–**	–
Fair value changes on financial guarantee contracts	**–**	–	**2.2**	–
Foreign currency translation gain				
– Realised	**11.4**	139.1	**0.8**	5.0
– Unrealised	**1.6**	33.2	**17.7**	46.3
Gain on disposal of property, plant and equipment	**4.9**	2.7	**0.2**	–
Gain on disposal of 70% equity interest in Loders arising from adjustments on disposal consideration	**9.4**	–	**9.4**	–
Gain arising from acquisition of interest in an associate	**0.9**	4.3	**–**	–
Net gain arising from changes in fair value of biological assets	**–**	–	**0.1**	–
Realised fair value gain on derivative financial instruments	**668.6**	509.2	**–**	–
Reversal of impairment losses on advances to associates	**0.6**	–	**–**	–
Reversal of impairment loss on advances to a joint venture	**0.5**	–	**0.5**	–
Reversal of impairment losses on advances to subsidiaries	**–**	–	**0.2**	–
Reversal of impairment losses on receivables	**1.7**	0.2	**–**	–
Others	**44.5**	46.1	**20.4**	16.2
	850.8	791.7	**95.2**	67.9

7. OTHER OPERATING EXPENSES

Continuing Operations

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Depreciation of right-of-use assets	**7.1**	–	**–**	–
Depreciation of property, plant and equipment	**158.8**	147.6	**0.5**	0.6
Fair value loss on derivative financial instruments	**18.1**	48.5	**–**	–
Fair value loss on other investments	**16.9**	19.3	**0.1**	–
Fair value loss on put and call options	**–**	6.8	**–**	6.8
Fair value loss on short term funds	**0.5**	2.6	**–**	–
Foreign currency translation loss				
– Realised	**28.8**	76.7	**–**	15.9
– Unrealised	**6.3**	33.7	**18.1**	25.8
Impairment losses on property, plant and equipment	**–**	15.8	**–**	–
Impairment losses on goodwill	**–**	2.0	**–**	–
Impairment losses on investments in subsidiaries	**–**	–	**28.3**	–
Impairment losses on advances to subsidiaries	**–**	–	**11.2**	4.2
Impairment loss on investment in a joint venture	**–**	–	**2.9**	18.0
Impairment losses on receivables	**5.8**	1.7	**–**	–
Loss on disposal of property, plant and equipment	**0.2**	–	**–**	–
Net loss arising from changes in fair value of biological assets	**5.6**	23.9	**–**	0.1
Property, plant and equipment written off	**7.8**	4.6	**–**	–
Realised fair value loss on derivative financial instruments	**314.6**	353.5	**–**	–
Rental expenses	**10.6**	13.3	**–**	–
Research and development expenses	**9.7**	8.9	**–**	–
Others	**22.7**	35.4	**12.0**	11.7
	613.5	794.3	**73.1**	83.1

8. INTEREST INCOME

Continuing Operations

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Short term funds	**40.1**	27.2	**–**	–
Short term deposits	**32.1**	24.9	**17.9**	12.0
Subsidiaries	**–**	–	**41.6**	43.8
Discontinued operations	**–**	16.8	**–**	–
Others	**1.2**	3.0	**0.9**	1.1
	73.4	71.9	**60.4**	56.9

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

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Interest expenses				
Term loans	**36.8**	37.5	**–**	–
Notes	**101.7**	104.2	**–**	–
Short term loans	**7.3**	3.0	**–**	–
Lease liabilities	**3.0**	–	**–**	–
Subsidiaries	**–**	–	**75.1**	92.8
Associates	**1.7**	1.9	**–**	–
Others	**0.3**	0.9	**0.3**	1.0
	150.8	147.5	**75.4**	93.8
Profit payment on Islamic financing	**31.0**	57.1	**26.4**	46.1
Total finance costs	**181.8**	204.6	**101.8**	139.9
Less: Interest capitalised (Note 15)	**(6.3)**	(4.5)	**–**	–
Net finance costs	**175.5**	200.1	**101.8**	139.9

10. PROFIT BEFORE TAXATION

Continuing Operations

In RM million	Group 2019	Group 2018	Company 2019	Company 2018
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	**–**	–
Amortisation of intangible assets	**5.7**	1.1	**–**	–
Auditors' remuneration				
BDO PLT and affiliates				
Statutory audit	**1.0**	1.4	**0.1**	0.5
Non-statutory audit				
– tax compliance and advisory services	**0.3**	0.5	**–**	0.2
– others	**0.2**	0.1	**0.2**	0.1
Member firms of BDO International				
Statutory audit	**0.2**	0.5	**–**	0.3
Non-statutory audit				
– tax compliance and advisory services	**0.6**	–	**–**	–
Other auditors				
Statutory audit	**0.7**	0.9	**–**	–
Depreciation of property, plant and equipment	**362.2**	376.6	**1.6**	1.8
Inventories written down to net realisable values	**7.3**	19.2	**–**	–
Net foreign currency translation loss on foreign currency denominated borrowings	**123.4**	–	**14.6**	–
Property, plant and equipment written off	**7.8**	11.6	**–**	–
and crediting:				
Dividends received from:				
– other quoted investments in Malaysia	**1.6**	2.5	**0.2**	0.1
– other unquoted investments in Malaysia	**1.2**	0.6	**–**	–
– unquoted subsidiaries	**–**	–	**550.5**	1,014.2
Net foreign currency translation gain on foreign currency denominated borrowings	**–**	297.7	**–**	160.0
Net foreign currency translation gain on foreign currency denominated deposits	**21.3**	20.6	**21.2**	22.1
Reversal of inventories written down to net realisable values	**1.5**	1.6	**–**	–
Rental income from:				
– investment properties	**0.5**	0.4	**–**	–
– others	**1.5**	1.2	**–**	–

Cost of inventories of the Group recognised as an expense during the financial year amounted to RM4,959.8 million (2018 – RM4,618.1 million).

10. PROFIT BEFORE TAXATION (continued)

Continuing Operations (continued)

b) Employee information

The employee benefits costs are as follows:

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Wages, salaries and others	**818.5**	816.0	**33.8**	47.9
Post-employment benefits	**29.4**	27.7	**1.6**	1.9
Share option expenses (Note 30.1.3)	**3.9**	–	**0.6**	–
Retirement benefits expenses (Note 33.1)	**5.0**	4.2	**–**	–
	856.8	847.9	**36.0**	49.8

11. TAXATION

Continuing Operations

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Current year				
Malaysian income taxation	**208.3**	349.3	**6.5**	6.8
Foreign taxation	**12.4**	2.7	**–**	–
Deferred taxation	**48.6**	(27.3)	**–**	0.2
	269.3	324.7	**6.5**	7.0
Prior years				
Malaysian income taxation	**(9.8)**	3.9	**(5.1)**	6.0
Foreign taxation	**2.6**	7.4	**–**	–
Deferred taxation	**(7.1)**	(2.0)	**(1.1)**	(0.5)
	(14.3)	9.3	**(6.2)**	5.5
	255.0	334.0	**0.3**	12.5

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	
%	**2019**	2018	**2019**	2018
Applicable tax rate	**24.00**	24.00	**24.00**	24.00
Tax effects in respect of:				
Non allowable expenses	**11.24**	3.79	**8.02**	4.57
Non-taxable income	**(2.44)**	(5.05)	**(5.30)**	(6.15)
Tax exempt income	**(3.63)**	(0.37)	**(26.91)**	(22.05)
Tax incentives and allowances	**(1.72)**	(0.28)	**–**	–
Utilisation of previously unrecognised tax losses and capital allowances	**(0.02)**	(0.03)	**–**	(0.04)
Deferred tax assets not recognised	**0.09**	0.57	**0.06**	–
Different tax rates in foreign jurisdiction	**0.30**	0.04	**–**	–
Share of post-tax results of associates	**(4.70)**	(2.15)	**–**	–
Share of post-tax result of a joint venture	**0.08**	0.04	**–**	–
Effect of changes in tax rates on deferred tax	**7.24**	–	**0.59**	–
Other items	**0.42**	0.11	**0.77**	0.30
	30.86	20.67	**1.23**	0.63
(Over)/Under provision in prior years	**(1.64)**	0.59	**(1.18)**	0.50
	29.22	21.26	**0.05**	1.13

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 venture on distributions to the Group and the Company, and real property gains taxes, if any.

Malaysian income tax is calculated at the statutory rate of 24% (2018 – 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 RM63.1 million (2018 – RM60.5 million) and RM1.4 million (2018 – Nil) 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.

The amount and availability of these items to be carried forward up to the period as disclosed above are subject to the agreement of the respective tax authorities. For the Malaysian entities, the unused tax losses up to the year of assessment 2019 shall be deductible until year of assessment 2026. The unused tax losses for the year of assessment 2020 onwards will expire in seven (7) years.

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 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 had 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 continued to hold a 30% equity interest in Loders, and played 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 20(v) to the financial statements.

The analysis of the above divestment was summarised as follows:

			Group
In RM million			2018
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 value 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

12. DISCONTINUED OPERATIONS (continued)

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

In RM million		Company 2018
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 discontinued operations, net of cash and cash equivalents disposed

In RM million	Group 2018	Company 2018
Net proceeds	3,796.2	3,796.2
Less: Cash and cash equivalents 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. DISCONTINUED OPERATIONS (continued)

12.2 Results of discontinued operations, net of tax

The analysis of the results of the discontinued operations in the previous financial year was as follows:

In RM million	Group 2018
Revenue	4,692.9
Expenses	(4,513.4)
Results from operating activities	179.5
Taxation	(27.6)
Results from operating activities, net of tax	151.9
Gain on disposal of discontinued operations	1,154.8
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

12.2.1 Cash flows attributable to discontinued operations

In RM million	Group 2018
Net cash from operating activities	390.6
Net cash used in investing activities	(476.7)
Net cash from financing activities	365.3
	279.2

12.2.2 Profit before taxation

In RM million	Group 2018
Operating profit from discontinued operations has been arrived at after charging:	
Fair value loss on derivative financial instruments	2.7
Impairment losses on receivables	0.6
Loss on disposal of property, plant and equipment	0.1
Property, plant and equipment written off	0.5
Foreign currency translation loss	
– Realised	26.5
– Unrealised	15.2
Depreciation of property, plant and equipment	30.7
and crediting:	
Fair value gain on derivative financial instruments	28.6
Foreign currency translation gain	
– Realised	0.6

12. DISCONTINUED OPERATIONS (continued)

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

12.2.3 Taxation

	Group
In RM million	2018
Current year	
Malaysian income taxation	4.5
Foreign taxation	33.4
Deferred taxation	2.6
	40.5
Prior years	
Malaysian income taxation	–
Deferred taxation	(12.9)
	(12.9)
	27.6

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	
	2019	2018
In RM million		
Profit for the financial year attributable to owners of the parent		
From continuing operations	**631.7**	1,228.9
From discontinued operations	**–**	1,831.6
	631.7	3,060.5
In million		
Weighted average number of ordinary shares in issue	**6,284.5**	6,284.0
In sen		
Basic earnings per ordinary share		
From continuing operations	**10.05**	19.56
From discontinued operations	**–**	29.14
	10.05	48.70

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	
	2019	2018
In RM million		
Profit for the financial year attributable to owners of the parent		
From continuing operations	**631.7**	1,228.9
From discontinued operations	**–**	1,831.6
	631.7	3,060.5
The adjusted weighted average number of ordinary shares for the computation of diluted earnings per ordinary share is arrived at as follows:		
In million		
Weighted average number of ordinary shares in issue	**6,284.5**	6,284.0
Adjustments for share option granted to Eligible Persons of the Group	**0.1**	0.7
Adjusted weighted average number of ordinary shares for diluted earnings per ordinary share	**6,284.6**	6,284.7
In sen		
Diluted earnings per ordinary share		
From continuing operations	**10.05**	19.56
From discontinued operations	**–**	29.14
	10.05	48.70

14. DIVIDENDS

	Group and Company	
In RM million	**2019**	2018
First interim single tier dividend in respect of financial year ended 30 June 2019 declared and paid of 3.5 sen per ordinary share	**220.0**	–
Second 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**	–
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
	502.8	1,319.7

14. DIVIDENDS (continued)

On 15 August 2019, the Board of Directors proposed a final single tier dividend of 4.5 sen per ordinary share in respect of the financial year ended 30 June 2019 to be approved by the shareholders at the forthcoming Annual General Meeting of the Company. Based on the outstanding issued and paid-up ordinary shares of the Company as at 30 June 2019 of 6,284,643,995, the proposed final dividend amounts to RM282.8 million.

15. PROPERTY, PLANT AND EQUIPMENT

Group
2019

In RM million	At beginning of financial year	Additions	Disposals	Foreign currency translation differences	Write-offs	Reclassifi-cations	At end of financial year
At cost							
Freehold land	1,852.8	–	(1.1)	0.1	–	–	1,851.8
Leasehold land	3,826.6	–	–	0.1	–	–	3,826.7
Bearer plants	2,761.5	143.4	(0.2)	12.0	(106.8)	–	2,809.9
Buildings and improvements	1,014.2	28.6	–	2.6	(3.0)	12.7	1,055.1
Plant and machinery	2,314.4	101.2	(6.4)	3.5	(16.2)	41.9	2,438.4
Construction in progress	78.5	85.5	–	0.7	–	(56.3)	108.4
Other property, plant and equipment	462.1	43.3	(2.2)	0.9	(5.7)	1.7	500.1
	12,310.1	402.0	(9.9)	19.9	(131.7)	–	12,590.4

In RM million	At beginning of financial year	Current year depreciation charge	Disposals	Foreign currency translation differences	Write-offs	At end of financial year
Accumulated depreciation						
Leasehold land	237.9	52.0	–	–	–	289.9
Bearer plants	1,311.5	137.5	–	0.9	(101.2)	1,348.7
Buildings and improvements	494.3	38.5	–	0.5	(2.4)	530.9
Plant and machinery	1,602.8	100.1	(6.1)	1.1	(14.8)	1,683.1
Other property, plant and equipment	236.6	34.1	(2.2)	0.2	(5.5)	263.2
	3,883.1	362.2	(8.3)	2.7	(123.9)	4,115.8

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
2018

In RM million	At beginning of financial year	Additions	Disposals	Foreign currency translation differences	Write-offs	Reclassifi-cations	Disposals 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	Disposals 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)

Company
2019

In RM million	At beginning of financial year	Disposals	Write-offs	At end of financial year
At cost				
Freehold land	**71.9**	**–**	**–**	**71.9**
Bearer plants	**20.9**	**–**	**–**	**20.9**
Other property, plant and equipment	**4.3**	**(0.7)**	**(1.0)**	**2.6**
	97.1	**(0.7)**	**(1.0)**	**95.4**

In RM million	At beginning of financial year	Current year depreciation charge	Disposals	Write-offs	At end of financial year
Accumulated depreciation					
Bearer plants	**7.3**	**1.1**	**–**	**–**	**8.4**
Other property, plant and equipment	**3.3**	**0.5**	**(0.7)**	**(1.0)**	**2.1**
	10.6	**1.6**	**(0.7)**	**(1.0)**	**10.5**

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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Carrying amount				
Freehold land	**1,851.8**	1,852.8	**71.9**	71.9
Leasehold land	**3,536.8**	3,588.7	**–**	–
Bearer plants	**1,448.4**	1,437.2	**12.5**	13.6
Buildings and improvements	**522.2**	517.9	**–**	–
Plant and machinery	**755.2**	711.5	**–**	–
Construction in progress	**108.4**	78.5	**–**	–
Other property, plant and equipment	**236.0**	224.6	**0.5**	1.0
	8,458.8	8,411.2	**84.9**	86.5

An impairment loss on property, plant and equipment amounting to RM15.8 million had been recognised in the previous financial year due to the recoverable amounts of the property, plant and equipment in the Cash-generating Unit, which were determined based on cash flow projections, were lower than their carrying amounts. The disclosures of the key inputs and assumptions were similar to the impairment assessment on the goodwill, which have been set out in Note 17.1 to the financial statements.

Included in the Group's bearer plants is an amount of interest expense capitalised during the financial year amounting to RM6.3 million (2018 – RM4.5 million).

Interest is capitalised at 5.37% (2018 – 6.48%) per annum.

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

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Additions to property, plant and equipment	**402.0**	448.8	**–**	0.1
Interest capitalised (Note 9)	**(6.3)**	(4.5)	**–**	–
Cash payments on purchase of property, plant and equipment	**395.7**	444.3	**–**	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.

Leasehold land are in respect of right-of-use assets for which the Group has land titles.

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 their remaining useful lives of twenty-two (22) years on a straight-line basis. The immature bearer plants are not depreciated until such time when they are 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.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Other property, plant and equipment are depreciated on the straight-line basis so as to write off the cost of the assets over their estimated useful lives. The principal depreciation periods and annual rates are as follows:

Long term leasehold land	over the lease period of up to 99 years
Buildings and improvements	2% – 10%
Plant and machinery	4% – 20%
Other property, plant and equipment	4% – 33%

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

16.1 Right-of-use assets

In RM million	Leasehold land	Buildings	Plant and machinery	Total
Group				
2019				
At cost				
At beginning of financial year	–	–	–	–
Effect on adoption of MFRS 16 (Note 42.1)	3.4	14.8	1.7	19.9
As restated	3.4	14.8	1.7	19.9
Reclassifications from prepaid lease payments	1.1	–	–	1.1
Foreign currency translation differences	–	0.2	–	0.2
At end of financial year	4.5	15.0	1.7	21.2
Accumulated depreciation				
Current year depreciation charge	(1.1)	(5.1)	(0.9)	(7.1)
At end of financial year	(1.1)	(5.1)	(0.9)	(7.1)
Carrying amount				
At end of financial year	3.4	9.9	0.8	14.1

The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The principal depreciation periods are as follows:

Leasehold land	over the lease period of up to 50 years
Buildings	over the lease period from 1 to 10 years
Plant and machinery	over the lease period from 1 to 5 years

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

16.2 Lease liabilities

16.2.1 The Group as lessee

	Group
In RM million	2019
Non-current liabilities	38.3
Current liabilities	6.8
Total lease liabilities	45.1

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the Group's weighted average incremental borrowing rate of 6.79%.

After initial recognition, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. Management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.

The Group has recognised the lease payments associated with short term leases and low value assets on a straight-line basis over the lease terms and recognised as rental expenses as disclosed in Note 7 to the financial statements.

16.2.2 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:

	Group
In RM million	2019
At beginning of financial year	–
Effect on adoption of MFRS 16 (Note 42.1)	51.8
As restated	51.8
Cash flows	
– Payments of lease liabilities	(7.0)
– Payments of lease interest	(2.8)
Non-cash flows	
– Interest expenses	3.0
– Foreign currency translation differences	0.1
At end of financial year	45.1

17. INTANGIBLE ASSETS

In RM million	Group 2019	Group 2018
Goodwill (Note 17.1)	**336.3**	335.9
Other intangible assets (Note 17.2)	**75.9**	59.0
	412.2	394.9

17.1 Goodwill

In RM million	Group 2019	Group 2018
At cost		
At beginning of financial year	**337.9**	462.1
Disposal of subsidiaries (Note 12.1)	**–**	(123.9)
Foreign currency translation differences	**0.4**	(0.3)
	338.3	337.9
Less: Impairment losses	**(2.0)**	(2.0)
	336.3	335.9

The goodwill recognised on the acquisitions was attributable mainly to the skills and technical talents of the acquired business's work force and the synergies expected to be achieved from integrating the company into the Group's existing business.

For the purpose of impairment testing, goodwill is allocated to the Group's Cash-generating Units ("CGUs") identified according to the operating segments as follows:

In RM million	Group 2019	Group 2018
Plantation	**126.5**	126.5
Resource-based manufacturing	**209.8**	209.4
	336.3	335.9

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

17. INTANGIBLE ASSETS (continued)

17.1 Goodwill (continued)

Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGUs based on estimation of the value-in-use, 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 6.70% (2018 – 7.49%).

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.

17.2 Other intangible assets

In RM million	Brand names	Computer software	Total
Group			
2019			
At cost			
At beginning of financial year	66.8	–	66.8
Additions (Installation-in-progress)	–	22.7	22.7
At end of financial year	66.8	22.7	89.5
Accumulated amortisation			
At beginning of financial year	(7.8)	–	(7.8)
Current year amortisation charge	(5.7)	–	(5.7)
Foreign currency translation differences	(0.1)	–	(0.1)
At end of financial year	(13.6)	–	(13.6)
Carrying amount			
At end of financial year	53.2	22.7	75.9

17. INTANGIBLE ASSETS (continued)

17.2 Other intangible assets (continued)

In RM million	Brand names	Total
Group		
2018		
At cost		
At beginning of financial year/At end of financial year	66.8	66.8
Accumulated amortisation		
At beginning of financial year	(6.8)	(6.8)
Current year amortisation charge	(1.1)	(1.1)
Foreign currency translation differences	0.1	0.1
At end of financial year	(7.8)	(7.8)
Carrying amount		
At end of financial year	59.0	59.0

Other intangible assets of the Group comprise brand names and computer software. Other intangible assets are initially measured at cost of acquisition.

After initial recognition, other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Brand names

The costs of brand names recognised in a business combination are their fair values as at the date of acquisition. Brand names with finite lives are amortised on a straight-line basis over the estimated economic useful lives ranging from three (3) to fifteen (15) years.

Computer software

Computer software that does not form an integral part of the related hardware is treated as intangible asset with finite life and is amortised on a straight-line basis over the estimated useful life ranging from three (3) to fifteen (15) years.

Computer software is not amortised until such time when the asset is available for use.

18. SUBSIDIARIES

18.1 Investments in subsidiaries

In RM million	Company 2019	Company 2018
At cost		
Unquoted shares in Malaysia	**6,615.0**	6,615.3
Unquoted shares outside Malaysia	**222.8**	222.8
	6,837.8	6,838.1
Less: Impairment losses	**(28.3)**	–
	6,809.5	6,838.1

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 43 to the financial statements.

2019

During the financial year, the Company:

i. subscribed for an additional 24,998 ordinary shares in IOI Plantation Services Sdn Bhd with cash payments of RM24,998.

ii. redeemed 320,000 redeemable preference shares in Morisem Consolidated Sdn Bhd with total redemption amount of RM320,000.

Impairment losses on costs of investments in subsidiaries amounting to RM28.3 million have been recognised during the financial year due to the recoverable amounts, which are determined based on cash flow projections, are lower than their carrying amounts. The disclosures of the key assumptions are similar to the impairment assessment on the goodwill, which have been set out in Note 17.1 to the financial statements.

18. SUBSIDIARIES (continued)

18.1 Investments in subsidiaries (continued)

2018

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

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

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 continued to hold a remaining 30% equity interest as associate.

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

18.1.2 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).

18. SUBSIDIARIES (continued)

18.2 Amounts due from and to subsidiaries

The amounts due from and to subsidiaries represent outstanding amounts arising from inter-company sales and purchases, both at normal credit terms, advances and payments made on behalf of or by subsidiaries. These amounts are unsecured and bear interest at rates ranging from 0% to 5.37% (2018 – 0% to 6.48%) per annum.

All amounts due from and to subsidiaries are payable within the next twelve (12) months 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.

18.2.1 Impairment for amounts due from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss ("ECL") model as disclosed in Note 24.2 to the financial statements.

The reconciliation of movements in the impairment losses accounts for amounts due from subsidiaries is as follows:

In RM million	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Company			
2019			
At beginning of financial year	**–**	**5.7**	**5.7**
Effect on adoption of MFRS 9 (Note 42.1)	**33.4**	**–**	**33.4**
As restated	**33.4**	**5.7**	**39.1**
Charge for the financial year	**11.2**	**–**	**11.2**
Reversal during the financial year	**–**	**(0.2)**	**(0.2)**
At end of financial year	**44.6**	**5.5**	**50.1**
2018			
At beginning of financial year	–	1.5	1.5
Charge for the financial year	–	4.2	4.2
At end of financial year	–	5.7	5.7

Credit impaired refers to individually determined subsidiaries who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

18.3 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.

18.4 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 2019.

19. ASSOCIATES

19.1 Investments in associates

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
At cost				
Shares quoted outside Malaysia	**434.0**	434.0	**–**	–
Unquoted shares outside Malaysia*	**1,387.8**	1,387.8	**766.4**	766.4
Unquoted shares in Malaysia	**86.9**	83.9	**24.9**	21.9
	1,908.7	1,905.7	**791.3**	788.3
Share of post-acquisition results and reserves	**701.4**	585.4	**–**	–
	2,610.1	2,491.1	**791.3**	788.3
At Market Value				
Shares quoted outside Malaysia	**1,074.0**	1,020.9	**–**	–

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 43 to the financial statements.

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

19. ASSOCIATES (continued)

19.2 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 unaudited financial information of Bumitama for the year ended 31 March 2019 is summarised as follows:

	Bumitama	
In RM million	**2019**	2018
Assets and liabilities		
Current assets	**646.7**	574.4
Non-current assets	**4,271.9**	3,864.5
Total assets	**4,918.6**	4,438.9
Current liabilities	**(1,370.3)**	(1,183.9)
Non-current liabilities	**(944.0)**	(860.9)
Total liabilities	**(2,314.3)**	(2,044.8)
Net assets	**2,604.3**	2,394.1
Non-controlling interests	**(367.4)**	(310.5)
Net assets attributable to shareholders of Bumitama	**2,236.9**	2,083.6
Results		
Revenue	**2,342.4**	2,396.3
Profit for the financial year	**281.2**	350.0
Other comprehensive income	**(62.3)**	(32.6)
Total comprehensive income	**218.9**	317.4

19. ASSOCIATES (continued)

19.2 Material associates and summary of financial information (continued)

Bunge Loders

The summary of unaudited financial information of Bunge Loders for the period ended 30 June 2019 is summarised as follows:

In RM million	Bunge Loders 2019	Bunge Loders 2018
Assets and liabilities		
Current assets	**2,111.5**	2,382.8
Non-current assets	**1,856.3**	1,733.2
Total assets	**3,967.8**	4,116.0
Current liabilities	**(139.6)**	(479.8)
Non-current liabilities	**(145.2)**	(142.7)
Total liabilities	**(284.8)**	(622.5)
Net assets attributable to shareholders of Bunge Loders	**3,683.0**	3,493.5
Results*		
Revenue	**6,276.8**	2,208.3
Profit for the period	**150.2**	57.1
Other comprehensive income	**17.1**	38.8
Total comprehensive income	**167.3**	95.9

The information above represents the unaudited 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 unaudited financial information to the carrying amount of the Group's interests in associates is as follows:

In RM million	Bumitama	Bunge Loders
2019		
Net assets attributable to shareholders of associates	**2,236.9**	**3,683.0**
Proportion of ownership interest held by the Group	**32.04%**	**30.00%**
Group's share of net assets	**716.7**	**1,104.9**
Goodwill	**168.7**	**–**
Gain on re-measurement of remaining 30% equity interest	**–**	**342.1**
Carrying amount of Group's interests in associates	**885.4**	**1,447.0**
Dividend received during the financial year	**46.1**	**–**

* The results for the period ended 30 June 2018 represented four (4) months' results of Bunge Loders.

19. ASSOCIATES (continued)

19.2 Material associates and summary of financial information (continued)

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

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 interests in associates	835.4	1,390.1
Dividend received during the financial year	46.5	–

19.3 Other associates and summary of financial information

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

	Group	
In RM million	**2019**	2018
Profit for the financial year	**37.2**	17.0
Other comprehensive income	**–**	(2.1)
Total comprehensive income	**37.2**	14.9
Carrying amount	**277.7**	265.6

Dividends received from immaterial associates during the financial year amounted to RM28.0 million (2018 – RM3.1 million).

20. DERIVATIVE FINANCIAL INSTRUMENTS

In RM million	Contract/ Notional amount Net long/(short)	Fair value Financial Assets	Fair value Financial Liabilities
Group			
2019			
Forward foreign exchange contracts	**(1,463.4)**	**6.3**	**4.0**
Commodity forward contracts	**(373.4)**	**55.0**	**16.8**
Commodity futures	**109.8**	**–**	**2.0**
Cross currency swap contracts	**1,640.6**	**154.3**	**29.1**
Interest rate swap contracts	**455.8**	**–**	**1.2**
Put option	**1,687.1**	**346.4**	**–**
Call option	**(2,109.1)**	**–**	**126.7**
Total derivative financial instruments		**562.0**	**179.8**
Less: Current portion		**(407.7)**	**(149.5)**
Non-current portion		**154.3**	**30.3**
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

In RM million	Contract/ Notional amount Net long/(short)	Fair value Financial Assets	Fair value Financial Liabilities
Company			
2019			
Cross currency swap contracts	**828.7**	**–**	**29.1**
Interest rate swap contracts	**455.8**	**–**	**1.2**
Put option	**1,687.1**	**346.4**	**–**
Call option	**(2,109.1)**	**–**	**126.7**
Total derivative financial instruments		**346.4**	**157.0**
Less: Current portion		**(346.4)**	**(126.7)**
Non-current portion		**–**	**30.3**

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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 RM21.0 million (2018 – RM41.9 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 RM8.1 million (2018 – RM11.7 million).

iv. Interest rate swap contracts

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

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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") in the previous financial year, the Company and Bunge entered into a Shareholders' Agreement ("SHA") to regulate the business of Loders as well as the rights and obligation of the shareholders of Loders.

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 gain of RM87.1 million (2018 – loss of RM151.9 million) and RM71.0 million (2018 – loss of RM203.0 million) respectively arising from fair value changes of derivative liabilities. The determination of the fair values of the derivative financial instruments involves significant judgements 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.

21. DEFERRED TAXATION

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
At beginning of financial year	**1,100.0**	1,257.9	**3.4**	3.7
Effects on adoption of MFRSs 9 and 16 (Note 42.1)	**2.2**	–	**(8.6)**	–
As restated	**1,102.2**	1,257.9	**(5.2)**	3.7
Recognised in profit or loss				
– Current year	**48.6**	(24.7)	**–**	0.2
– Prior years	**(7.1)**	(14.9)	**(1.1)**	(0.5)
	41.5	(39.6)	**(1.1)**	(0.3)
Recognised in other comprehensive income	**(0.2)**	0.9	**–**	–
Disposal of subsidiaries	**–**	(115.4)	**–**	–
Foreign currency translation differences	**–**	(3.8)	**–**	–
At end of financial year	**1,143.5**	1,100.0	**(6.3)**	3.4

Presented after appropriate offsetting as follows:

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Deferred tax liabilities, net	**1,153.0**	1,114.7	**–**	3.4
Deferred tax assets, net	**(9.5)**	(14.7)	**(6.3)**	–
	1,143.5	1,100.0	**(6.3)**	3.4

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

Deferred tax liabilities

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
At beginning of financial year	**1,114.7**	1,309.9	**3.4**	3.7
Effects on adoption of MFRSs 9 and 16 (Note 42.1)	**2.9**	–	**–**	–
As restated	**1,117.6**	1,309.9	**3.4**	3.7
Recognised in profit or loss				
Temporary differences on property, plant and equipment	**63.0**	(55.8)	**2.8**	(0.3)
Other temporary differences	**(27.6)**	6.1	**–**	–
	35.4	(49.7)	**2.8**	(0.3)
Disposal of subsidiaries (Note 12.1)	**–**	(135.5)	**–**	–
Foreign currency translation differences	**–**	(10.0)	**–**	–
At end of financial year	**1,153.0**	1,114.7	**6.2**	3.4

21. DEFERRED TAXATION (continued)

Deferred tax assets

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
At beginning of financial year	**14.7**	52.0	**–**	–
Effect on adoption of MFRS 9 (Note 42.1)	**0.7**	–	**8.6**	–
As restated	**15.4**	52.0	**8.6**	–
Recognised in profit or loss				
Temporary differences on unutilised tax losses	**(0.2)**	(4.9)	**–**	–
Other deductible temporary differences	**(5.9)**	(5.2)	**3.9**	–
	(6.1)	(10.1)	**3.9**	–
Recognised in other comprehensive income	**0.2**	(0.9)	**–**	–
Disposal of subsidiaries (Note 12.1)	**–**	(20.1)	**–**	–
Foreign currency translation differences	**–**	(6.2)	**–**	–
At end of financial year	**9.5**	14.7	**12.5**	–

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	**2019**	2018	**2019**	2018
Temporary differences on property, plant and equipment	**1,142.6**	1,109.9	**6.1**	3.3
Other temporary differences	**10.4**	4.8	**0.1**	0.1
	1,153.0	1,114.7	**6.2**	3.4

Deferred tax assets

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Unutilised tax losses	**3.7**	3.9	**–**	–
Other deductible temporary differences	**5.8**	10.8	**12.5**	–
	9.5	14.7	**12.5**	–

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	**2019**	2018	**2019**	2018
Unutilised tax losses	**63.1**	60.5	**1.4**	–

Deferred tax assets of certain subsidiaries of the Group and of 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.

22. OTHER NON-CURRENT ASSETS

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Prepaid lease payments (Note 22.1)	**–**	1.1	**–**	–
Investment properties (Note 22.2)	**6.8**	6.8	**–**	–
Interest in a joint venture (Note 22.3)	**27.0**	32.0	**27.0**	32.0
Prepayment for land use rights (Note 22.4)	**12.5**	11.7	**–**	–
	46.3	51.6	**27.0**	32.0

22.1 Prepaid lease payments

The minimum lease payments including lump-sum upfront payments made to acquire the interest in the land and building were 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 represented prepaid lease payments and were amortised over the lease term on a straight-line basis.

The Group has reassessed and reclassified prepaid lease payments to right-of-use assets during the financial year.

22.2 Investment properties

Investment properties are initially measured 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 period for the buildings component of the investment properties is fifty (50) years.

22.3 Interest in a joint venture

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Unquoted shares, at cost	**36.0**	18.0	**36.0**	18.0
Less: Impairment loss	**–**	–	**(20.9)**	(18.0)
	36.0	18.0	**15.1**	–
Share of post-acquisition results and reserves	**(20.9)**	(18.0)	**–**	–
	15.1	–	**15.1**	–
Amount due from a joint venture	**13.8**	32.0	**13.8**	32.0
Less: Impairment loss	**(1.9)**	–	**(1.9)**	–
	27.0	32.0	**27.0**	32.0

Details of the joint venture are set out in Note 43 to the financial statements.

22. OTHER NON-CURRENT ASSETS (continued)

22.3 Interest in a joint venture (continued)

An impairment loss on cost of investment in a joint venture amounting to RM2.9 million (2018 – 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 represents outstanding amounts arising from advances and payments made on behalf of a joint venture, which are unsecured, bear interest at 3.50% (2018 – 3.50%) per annum and are not repayable within the next twelve (12) months.

Impairment for non-trade amount due from a joint venture is recognised based on the general approach within MFRS 9 using the forward looking expected credit loss ("ECL") model as disclosed in Note 24.2 to the financial statements.

The reconciliation of movements in the impairment loss accounts for amount due from a joint venture is as follows:

	Lifetime ECL – not credit impaired
In RM million	**2019**
Group and Company	
At beginning of financial year	–
Effect on adoption of MFRS 9 (Note 42.1)	**2.4**
As restated	**2.4**
Reversal of impairment loss	**(0.5)**
At end of financial year	**1.9**

The summarised financial information based on the Group's interest in the joint venture is as follows:

	Group	
In RM million	**2019**	2018
Loss for the financial year	**(2.9)**	(2.6)
Total comprehensive loss	**(2.9)**	(2.6)
Carrying amount	**27.0**	32.0

22.4 Prepayment for land use rights

The balance represents prepayments for acquisition of rights to use parcels of land located in Indonesia. The net carrying amount of the Group's prepayments for purchase of land use rights as of 30 June 2019 amounted to RM12.5 million (2018 – RM11.7 million).

23. INVENTORIES

In RM million	Group 2019	Group 2018
At cost		
Plantation produce	**59.6**	49.8
Raw materials and consumables	**89.5**	93.7
Nursery inventories	**39.4**	26.9
Finished goods	**308.5**	204.0
Semi-finished goods	**11.0**	53.5
Others	**1.8**	1.9
	509.8	429.8
At net realisable value		
Raw materials and consumables	**132.3**	221.7
Finished goods	**81.5**	263.5
Semi-finished goods	**54.4**	34.1
	268.2	519.3
	778.0	949.1

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.

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Trade receivables (Note 24.1)	**544.8**	532.9	**–**	–
Other receivables, deposits and prepayments (Note 24.2)	**228.7**	283.3	**21.9**	50.3
	773.5	816.2	**21.9**	50.3

24. TRADE AND OTHER RECEIVABLES (continued)

24.1 Trade receivables

	Group	
In RM million	**2019**	2018
Trade receivables	**553.4**	542.0
Less: Impairment losses	**(8.6)**	(9.1)
	544.8	532.9

i. The normal trade credit terms granted by the Group range from 7 to 90 days (2018 – 7 to 90 days). They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.

ii. Impairment for trade receivables and trade amounts due from associates that do not contain a significant financing component are recognised based on the simplified approach by applying the provisional matrix approach using the flow-rate model to calculate the lifetime expected credit losses.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group as identified in Note 4 to the financial statements to estimate the amount of expected impairment losses. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probabilities of non-payments by the trade receivables and trade amounts due from associates are adjusted by forward looking information and multiplied by the amounts of the expected losses arising from defaults to determine the lifetime expected credit losses ("ECL") for the trade receivables and trade amounts due from associates. The Group has identified the Gross Domestic Product ("GDP"), crude palm oil prices and unemployment rate as the key macroeconomic factors. For trade receivables and trade amounts due from associates, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within the statements of profit or loss. On confirmation that the trade receivables and trade amounts due from associates would not be collectable, the gross carrying values of the assets would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and trade amounts due from associates and appropriate forward looking information.

24. TRADE AND OTHER RECEIVABLES (continued)

24.1 Trade receivables (continued)

iii. The reconciliation of movements in the impairment losses accounts for trade receivables is as follows:

In RM million	Lifetime ECL	Credit impaired	Total
Group			
2019			
At beginning of financial year	**–**	**9.1**	**9.1**
Effect on adoption of MFRS 9 (Note 42.1)	**2.7**	**–**	**2.7**
As restated	**2.7**	**9.1**	**11.8**
Charge for the financial year	**5.8**	**–**	**5.8**
Written off	**–**	**(9.0)**	**(9.0)**
At end of financial year	**8.5**	**0.1**	**8.6**
2018			
At beginning of financial year	–	11.1	11.1
Charge for the financial year	–	0.6	0.6
Reversal of impairment losses	–	(0.2)	(0.2)
Disposal of subsidiaries	–	(2.4)	(2.4)
At end of financial year	–	9.1	9.1

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

24.2 Other receivables, deposits and prepayments

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Other receivables	**188.8**	241.3	**1.5**	30.0
Less: Impairment losses	**–**	(1.7)	**–**	–
	188.8	239.6	**1.5**	30.0
Deposits	**23.6**	24.9	**20.3**	20.2
Prepayments	**16.3**	18.8	**0.1**	0.1
	228.7	283.3	**21.9**	50.3

24. TRADE AND OTHER RECEIVABLES (continued)

24.2 Other receivables, deposits and prepayments (continued)

i. Impairment for other receivables, financial guarantee contracts, amounts due from subsidiaries and joint venture and non-trade amounts due from associates are recognised based on the three-stage general approach within MFRS 9 using the forward looking expected credit loss ("ECL") model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month ECL along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

   The Group defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment delays and past due information.

   The probabilities of non-payments by other receivables, financial guarantee contracts, amounts due from subsidiaries and joint venture and non-trade amounts due from associates are adjusted by forward looking information and multiplied by the amounts of the expected losses arising from defaults to determine the twelve-month or lifetime ECL for the other receivables, financial guarantee contracts, amounts due from subsidiaries and joint venture and non-trade amounts due from associates.

   It requires management to exercise significant judgement in determining the probabilities of default by other receivables, financial guarantee contracts, amounts due from subsidiaries and joint venture and non-trade amounts due from associates, appropriate forward looking information and significant increase in credit risk.

ii. No ECL is recognised arising from other receivables as the amount is negligible. The reconciliation of movements in the impairment losses accounts for other receivables is as follows:

	Lifetime ECL – credit impaired	
In RM million	**2019**	2018
Group		
At beginning of financial year	**1.7**	0.4
Effect on adoption of MFRS 9 (Note 42.1)	**–**	–
As restated	**1.7**	0.4
Charge for the financial year	**–**	1.7
Reversal of impairment losses	**(1.7)**	–
Disposal of subsidiaries	**–**	(0.4)
At end of financial year	**–**	1.7

   Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

25. OTHER INVESTMENTS

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
At fair value through profit or loss				
In Malaysia				
– Quoted shares	**57.9**	74.2	**4.3**	4.4
– Quoted warrants	**0.3**	0.3	**–**	–
– Unquoted shares	**8.6**	8.3	**–**	–
Outside Malaysia				
– Quoted shares	**2.4**	3.3	**–**	–
	69.2	86.1	**4.3**	4.4

26. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Amounts due from associates	**94.9**	147.4	**–**	4.6
Less: Impairment losses	**(0.5)**	–	**–**	–
	94.4	147.4	**–**	4.6

Amounts due from associates represent outstanding amounts arising from sales, advances and payments made on behalf by associates, which are unsecured, interest-free and payable within the next twelve (12) months in cash and cash equivalents except for an amount of RM4.6 million in the previous financial year, which bore interest at rate of 1.33% per annum.

Impairment for receivables from trade amounts due from associates are recognised based on the simplified approach using the lifetime expected credit losses as disclosed in Note 24.1 to the financial statements.

Impairment for receivables from non-trade amounts due from associates are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 24.2 to the financial statements. No expected credit loss is recognised arising from non-trade amounts due from associates as the amount is negligible.

The reconciliation of movements in the impairment losses accounts for trade amounts due from associates is as follows:

	Lifetime ECL – not credit impaired
In RM million	**2019**
Group	
At beginning of financial year	**–**
Effect on adoption of MFRS 9 (Note 42.1)	**1.1**
As restated	**1.1**
Reversal of impairment losses	**(0.6)**
At end of financial year	**0.5**

27. OTHER CURRENT ASSETS

In RM million	Group 2019	Group 2018	Company 2019	Company 2018
Biological assets (Note 27.1)	**22.9**	28.4	**0.2**	0.1
Current tax assets	**50.6**	33.0	**2.2**	1.0
	73.5	61.4	**2.4**	1.1

27.1 Biological assets

In RM million	Group 2019	Group 2018	Company 2019	Company 2018
At fair value				
Fresh fruit bunches				
At beginning of financial year	**28.4**	52.4	**0.1**	0.2
Changes in fair value less costs to sell	**(5.6)**	(23.9)	**0.1**	(0.1)
Foreign currency translation differences	**0.1**	(0.1)	**–**	–
At end of financial year	**22.9**	28.4	**0.2**	0.1

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 3,398,847 tonnes (2018 – 3,514,857 tonnes) and 16,319 tonnes (2018 – 17,286 tonnes) of FFB respectively.

As at 30 June 2019, 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 would have equally increased or decreased by approximately RM3.2 million (2018 – RM3.6 million) and no significant impact for profit or loss for the Company.

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

28. SHORT TERM FUNDS

In RM million	Group 2019	Group 2018
At fair value through profit or loss		
Investments in fixed income trust funds in Malaysia	**1,775.7**	1,087.9

Investments in fixed income trust funds in Malaysia represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

29. DEPOSITS WITH FINANCIAL INSTITUTIONS

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Deposits with licensed banks	**302.6**	1,276.0	**210.2**	971.4

No expected credit losses were recognised arising from deposits with licensed banks because the probability of default by these financial institutions were negligible.

30. SHARE CAPITAL

	2019		2018	
	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	**6,284,398,995**	**786.7**	6,283,859,995	783.8
Issue of shares arising from the exercise of ESOS at RM4.42 per ordinary share	**245,000**	**1.4**	539,000	2.9
At end of financial year	**6,284,643,995**	**788.1**	6,284,398,995	786.7

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 6,284,643,995 (2018 – 6,284,398,995) issued and fully paid-up ordinary shares, none of the shares are held as treasury shares as disclosed in Note 31.2 to the financial statements.

30.1 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 (as defined below) of the Group in accordance with the By-Laws of the ESOS out of which 18,772,500 share options were accepted by the Eligible Persons. As at 30 June 2019, the number of outstanding share options was 13,586,000 (2018 – 16,073,500).

On 6 March 2019, the Company offered a total of 6,530,000 share options at an option price of RM4.50 per ordinary share to the Eligible Persons (as defined below) of the Group in accordance with the By-Laws of the ESOS out of which 6,470,000 share options were accepted by the Eligible Persons. As at 30 June 2019, the number of outstanding share options was 5,920,000 (2018 – Nil).

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.

30. SHARE CAPITAL (continued)

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

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.

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)")

30. SHARE CAPITAL (continued)

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

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.

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.

30. SHARE CAPITAL (continued)

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

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	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
2019							
4.42	**12 October 2016**	**16,073,500**	**–**	**(245,000)**	**(2,242,500)**	**13,586,000**	**13,586,000**
4.50	**6 March 2019**	**–**	**6,470,000**	**–**	**(550,000)**	**5,920,000**	**5,920,000**
		16,073,500	**6,470,000**	**(245,000)**	**(2,792,500)**	**19,506,000**	**19,506,000**
Weighted average exercise price (RM)		**4.42**	**4.50**	**4.42**	**4.44**	**4.44**	**4.44**
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

* Due to resignation/retirement/death of employees as at 30 June 2019.

30.1.1 Share options outstanding as at end of the financial year

Option price *RM*	No. of share options	Weighted average exercise price *RM*	Exercisable period
2019			
4.42	**13,586,000**	**4.42**	12 October 2016 – 28 January 2021
4.50	**5,920,000**	**4.50**	6 March 2019 – 28 January 2021
	19,506,000	**4.44**	
2018			
4.42	16,073,500	4.42	12 October 2016 – 28 January 2021

30. SHARE CAPITAL (continued)

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

30.1.2 Fair value of share options granted

The fair value of share options were determined using a Black-Scholes model. The fair values of the share options were arrived at based on the following assumptions:

	Granted on 6 March 2019	Granted on 12 October 2016
Weighted average share price *(RM)*	**4.52**	4.48
Exercise price *(RM)*	**4.50**	4.42
Expected volatility (%)	**19.8**	22.4
Expected dividend yield (%)	**2.1**	2.5
Risk free interest rate (%)	**3.5**	3.2
Fair value of share options granted *(RM)*	**0.61**	1.015

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 (3) years.

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

In RM million	Group	Company
2019		
Recognition of share option expenses	**3.9**	**3.9**
Less: Charge to subsidiaries	**–**	**(3.3)**
Share option expenses	**3.9**	**0.6**

31. RESERVES

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Capital reserves (Note 31.1)	**25.1**	24.1	**17.4**	16.4
Foreign currency translation reserve (Note 31.3)	**20.3**	(24.0)	**–**	–
Other reserves (Note 31.4)	**(16.7)**	(12.8)	**–**	–
Hedging reserve (Note 31.5)	**5.9**	(4.2)	**–**	–
	34.6	(16.9)	**17.4**	16.4

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

31. RESERVES (continued)

31.1 Capital reserves

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
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	**17.4**	16.4	**17.4**	16.4
	25.1	24.1	**17.4**	16.4

31.2 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 26 October 2018.

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.

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 share held by the Company.

31.3 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.

31.4 Other reserves

The other reserves arising from the Group's share of associates fair value reserve.

31.5 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.

32. BORROWINGS

	Group		Company	
In RM million	2019	2018	2019	2018
Non-current liabilities				
Unsecured				
Term loans (Note 32.1)	**812.0**	769.0	**–**	–
Islamic financing facilities (Note 32.2)	**1,153.3**	1,090.5	**579.7**	444.3
Notes (Note 32.4)	**2,478.2**	2,416.7	**–**	–
Finance lease obligation	**8.6**	8.5	**–**	–
Less: Portion due within 12 months included under short term borrowings	**(0.2)**	(0.2)	**–**	–
	8.4	8.3	**–**	–
	4,451.9	4,284.5	**579.7**	444.3
Current liabilities				
Unsecured				
Trade financing (Note 32.5)	**284.2**	251.5	**–**	–
Islamic revolving credit financing facilities (Note 32.6)	**124.3**	643.1	**124.3**	643.1
Finance lease obligation – portion due within 12 months	**0.2**	0.2	**–**	–
	408.7	894.8	**124.3**	643.1
Total borrowings	**4,860.6**	5,179.3	**704.0**	1,087.4

32.1 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 (2018 – 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 (2018 – JPY6.0 billion). This fixed-rate loan bears interest at 4.50% per annum and is repayable in full on 5 February 2038.

32. BORROWINGS (continued)

32.2 Islamic financing facilities

The Islamic financing facilities of the Group include:

Unsecured

i. 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 EUR18.0 million was repaid during the financial year and of EUR27.0 million was repaid in the previous financial year. The outstanding amount as at end of the financial year is EUR25.0 million (2018 – EUR43.0 million). The profit rate of this Islamic financing facility is 1.20% plus Euro Interbank Offered Rate and the remaining amount is repayable in full on 20 January 2021.

ii. 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 (2018 – 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.

iii. 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 (2018 – 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.

iv. Commodity Murabahah Financing Facility of USD30.0 million that was drawn down on 31 May 2019 by the Company. The outstanding amount as at end of the financial year is USD30.0 million. The profit rate of this fixed-rate Islamic financing facility is 2.965% per annum and is repayable in two (2) annual instalment of USD15.0 million each commencing 48 months from the first drawn date.

32.3 Repayment schedule

The term loans and the Islamic financing facilities are repayable by instalments of varying amounts or upon maturity over the following periods:

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Less than 1 year	**–**	–	**–**	–
1 – 2 years	**573.4**	37.5	**227.7**	–
2 – 3 years	**455.6**	608.5	**227.7**	222.2
3 – 4 years	**62.2**	444.5	**62.2**	222.1
4 – 5 years	**62.1**	–	**62.1**	–
More than 5 years	**812.0**	769.0	**–**	–
	1,965.3	1,859.5	**579.7**	444.3

32. BORROWINGS (continued)

32.4 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

The movements of the Notes during the financial year are as follows:

	Group	
In RM million	**2019**	2018
At beginning of financial year	**2,416.7**	2,564.3
Foreign currency translation differences	**59.1**	(149.9)
Interest expense	**2.4**	2.3
At end of financial year	**2,478.2**	2,416.7

32.5 Trade financing

Unsecured

Trade financing utilised during the financial year is subject to interest rates ranging from 0.85% to 4.20% (2018 – 0.83% to 3.38%) per annum.

32.6 Islamic revolving credit financing facilities

Unsecured

The Islamic revolving credit financing facilities (Commodity Murabahah Revolving Credit) is subject to profit rate ranging from 2.45% to 3.06% (2018 – 0.55 % to 2.61%) per annum.

32. BORROWINGS (continued)

32.7 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:

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
At beginning of financial year	**5,179.3**	7,343.8	**1,087.4**	2,313.6
Cash flows	**(459.5)**	(1,734.2)	**(408.4)**	(1,051.0)
Non-cash flows				
– Interest expenses	**2.5**	3.4	**–**	1.0
– Foreign currency translation differences	**138.3**	(433.7)	**25.0**	(176.2)
At end of financial year	**4,860.6**	5,179.3	**704.0**	1,087.4

33. OTHER NON-CURRENT LIABILITIES

	Group	
In RM million	**2019**	2018
Retirement benefits (Note 33.1)	**59.9**	55.7
Deferred income (Note 33.2)	**33.5**	36.0
	93.4	91.7

33.1 Retirement benefits

	Group	
In RM million	**2019**	2018
Present value of unfunded obligations	**59.9**	55.7
Recognised liability for defined benefit obligations	**59.9**	55.7

The plans of the subsidiaries are operated on an unfunded basis. The benefits payable on retirement are generally based on the length of service and average salary of the eligible employees.

The last actuarial valuations for the unfunded plans were carried out on 30 June 2018 and 30 June 2019.

33. OTHER NON-CURRENT LIABILITIES (continued)

33.1 Retirement benefits (continued)

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

Present value of unfunded obligations

	Group	
In RM million	**2019**	2018
At beginning of financial year	**55.7**	65.6
Benefits paid	**(2.0)**	(2.3)
Expense recognised in profit or loss (Note 10(b))	**5.0**	4.2
Re-measurements		
– Actuarial gain recognised in other comprehensive income	**1.0**	0.8
Disposal of subsidiaries	**–**	(11.3)
Foreign currency translation differences	**0.2**	(1.3)
At end of financial year	**59.9**	55.7

Expense recognised in profit or loss:

	Group	
In RM million	**2019**	2018
Current service cost	**3.2**	2.6
Interest cost	**1.8**	2.1
Past service cost	**–**	(0.5)
	5.0	4.2

Liability for defined benefit obligations

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

	Group	
%	**2019**	2018
Discount rate	**2.8**	3.1

Sensitivity analysis

The impact on changes of the significant actuarial assumption as at the end of the reporting period is as follows:

	Group	
In RM million	**2019**	2018
Discount rate increase by 0.1%	**(0.9)**	(0.8)
Discount rate decrease by 0.1%	**1.1**	1.0

33. OTHER NON-CURRENT LIABILITIES (continued)

33.2 Deferred income

Government grant

In RM million	Group 2019	Group 2018
At beginning of financial year	**36.0**	38.6
Current year amortisation charge	**(2.5)**	(2.6)
At end of financial year	**33.5**	36.0

Deferred income represents government grant received from the Malaysian Palm Oil Board to build a new fatty ester and specialty oleo derivative production facility. The grant is amortised over the remaining useful life of thirteen (13) years of the plant.

34. TRADE AND OTHER PAYABLES

	Group		Company	
In RM million	2019	2018	2019	2018
Trade payables (Note 34.1)	**247.2**	229.7	**–**	–
Other payables and accruals (Note 34.2)	**353.1**	384.4	**82.0**	137.1
Financial guarantee contracts (Note 34.3)	**–**	–	**7.6**	–
	600.3	614.1	**89.6**	137.1

34.1 Trade payables

Credit terms of trade payables vary from 2 to 60 days (2018 – 7 to 60 days) from date of invoices.

34.2 Other payables and accruals

	Group		Company	
In RM million	2019	2018	2019	2018
Other payables	**175.3**	160.9	**35.4**	36.5
Customer deposits and other deposits	**1.4**	1.7	**–**	–
Accruals	**176.4**	221.8	**46.6**	100.6
	353.1	384.4	**82.0**	137.1

34. TRADE AND OTHER PAYABLES (continued)

34.3 Financial guarantee contracts

Financial guarantee contracts are subject to forward looking expected credit loss model based on the general approach within MFRS 9 as disclosed in Note 24.2 to the financial statements.

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the term of a debt instrument.

Financial guarantee contracts are recognised as financial liabilities at the time the guarantees are issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantee is determined based on the present value of the different in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

The nominal amounts of financial guarantee provided are as follows:

	Company
In RM million	**2019**
Banking facilities granted to subsidiaries	**3,899.4**

The movement of the financial guarantee contracts during the financial year is as follows:

	Company
In RM million	**2019**
At beginning of financial year	–
Effect on adoption of MFRS 9 (Note 42.1)	**9.8**
As restated	**9.8**
Fair value changes on financial guarantee contracts	**(2.2)**
At end of financial year	**7.6**

35. OTHER CURRENT LIABILITIES

	Group	
In RM million	**2019**	2018
Amounts due to associates (Note 35.1)	**34.6**	26.7
Current tax liabilities	**22.7**	33.5
	57.3	60.2

35.1 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 repayable within the next twelve (12) months in cash and cash equivalents.

36. CASH AND CASH EQUIVALENTS

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

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Short term funds (Note 28)	**1,775.7**	1,087.9	**–**	–
Deposits with financial institutions (Note 29)	**302.6**	1,276.0	**210.2**	971.4
Cash and bank balances	**520.3**	400.7	**16.5**	88.0
	2,598.6	2,764.6	**226.7**	1,059.4

The Group has undrawn borrowing facilities of RM5,467.9 million (2018 – RM5,159.1 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.

No expected credit losses were recognised arising from cash and bank balances and deposits with financial institutions because the probability of default by these financial institutions were negligible.

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.

37. SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

37.1 Identity of related parties (continued)

Related parties of the Group include:

i. Direct and indirect subsidiaries as disclosed in Note 43 to the financial statements;

ii. Progressive Holdings Sdn Bhd, the major corporate shareholder of the Company;

iii. Associates and joint venture as disclosed in Note 43 to the financial statements;

iv. Key management personnel, which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly; and

v. Affiliates, companies in which the Directors are also the substantial shareholders of the Company and have substantial shareholding 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	**2019**	2018
Group		
Associates		
Sales of oleochemical products and palm products	**1,396.3**	1,064.1
Purchases of oleochemical products and palm products	**141.4**	57.5
Rental income on storage tank	**7.9**	8.1
Interest expense	**1.7**	1.9
Affiliates		
Management fees income	**7.8**	5.6
Agency fees income	**2.2**	2.6
Purchases of palm products	**40.6**	56.0
Rental paid	**5.2**	4.7
Company		
Subsidiaries		
Sales of palm products	**8.2**	10.6
Purchases of palm products	**4.7**	4.6
Advisory fees income	**29.9**	58.3
Management fees expenses	**10.8**	7.7
Interest income	**41.6**	43.8
Interest expense	**75.1**	92.8

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 2019 is disclosed in Note 18.2, Note 22.3, Note 26 and Note 35.1 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:

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Directors				
Fees	**1.3**	1.2	**1.3**	1.2
Remuneration	**32.7**	103.6	**32.4**	103.2
Estimated monetary value of benefits-in-kind	**0.1**	0.1	**0.1**	0.1
Total short term employee benefits	**34.1**	104.9	**33.8**	104.5
Post-employment benefits	**1.7**	4.2	**1.6**	4.2
Share-based payments	**0.6**	–	**0.6**	–
	36.4	109.1	**36.0**	108.7
Other key management personnel				
Short term employee benefits	**3.0**	5.9	**–**	–
Post-employment benefits	**0.4**	0.3	**–**	–
Share-based payments	**0.4**	–	**–**	–
	3.8	6.2	**–**	–

On 18 June 2019, the Board of Directors proposed a gratuity of approximately RM27.4 million for the former Executive Chairman, which is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company. The financial statements for the current financial year do not reflect this proposed gratuity. This proposed gratuity, if approved by shareholders, will be accounted for in the next financial year.

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 2018.

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 2019 and 30 June 2018.

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 and lease liabilities less cash and cash equivalents. The Group has an appropriate target gearing ratio, which is monitored by the Group on an ongoing basis.

38. CAPITAL MANAGEMENT (continued)

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Borrowings (Note 32)	**4,860.6**	5,179.3	**704.0**	1,087.4
Lease liabilities (Note 16.2)	**45.1**	–	**–**	–
	4,905.7	5,179.3	**704.0**	1,087.4
Less: Cash and cash equivalents (Note 36)	**(2,598.6)**	(2,764.6)	**(226.7)**	(1,059.4)
Net debt	**2,307.1**	2,414.7	**477.3**	28.0
Equity	**9,299.6**	9,156.3	**6,979.1**	6,986.7
Gearing ratio (%)	**24.81**	26.37	**6.84**	0.40

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 30 June 2019.

The Group is not subject to any other externally imposed capital requirements.

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 Committee, 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. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.1 Risk management approach

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country, in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign currency exposures in transactional currencies other than the functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged with derivative financial instruments such as forward foreign exchange contracts and options on a back-to-back basis.

The downstream segment's forward contractual commitments intended to be physically settled are fully hedged with respect to its currency risk on a back-to-back basis with currency forward contracts. Where the netting of forward sales against forward purchases with matching currency risk characteristics is possible, these would first be netted before hedging the net currency exposure with forward contracts. Currency risk on forward contractual commitments with clear intention for net-cash settlement (i.e. paper trading) are not considered for hedging until the exercising of the net settlement.

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

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

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.

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.1 Risk management approach (continued)

ii. Transactional obligations or rights denominated in foreign currency

Background

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

Hedging method

Intra-day transactions or forward contracts in foreign currencies are first netted based on matching characteristics. The net exposure is then hedged off with vanilla foreign exchange forwards.

In general, currency exposure from foreign investments and borrowings is managed centrally at the Group HQ level, whilst currency exposure arising from transactions or contractual obligations is managed at the respective entity or business unit's level. The Group adopts a uniform Foreign Currency Risk Management Policy and Guide, which sets out the authority and limits for inception of foreign currency derivatives; types of approved foreign currency derivatives; acceptable hedging practices and methods; and over-sight structure and controls. Below are extracts of key policies:

a) Speculative positioning on foreign currency is prohibited;

b) Net currency exposure on trade transactions and forward contracts are to be hedged in full on back-to-back basis. Hedging on portfolio basis (or macro-hedging) comprising unmatched mixed maturity and amount is disallowed;

c) Inception of foreign currency derivatives as hedging instrument against forecast trade transactions in foreign currency is disallowed;

d) Hedging with foreign currency futures on traded exchanges is generally disallowed;

e) Inception of over-the-counter structured derivatives for hedging purposes are confined to HQ and each contract is subject to executive management's approval; and

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								
2019								
Financial assets in foreign currencies								
Cash and bank balances	207.4	–	13.8	–	–	–	0.1	–
Deposits with financial institutions	216.1	–	–	–	–	–	–	–
Trade and other receivables	396.0	–	72.0	–	12.4	–	1.9	–
Amounts due from associates	68.9	–	–	–	–	–	1.0	–
Derivative assets	585.5	–	1,687.1	–	–	–	–	–
Financial liabilities in foreign currencies								
Trade and other payables	(43.6)	–	(8.1)	–	–	–	(0.9)	–
Amounts due to associates	(24.0)	–	–	–	–	–	(1.7)	–
Borrowings	(306.7)	(3,522.0)	(82.4)	(126.4)	–	(811.9)	–	–
Lease liabilities	–	–	(12.8)	–	–	–	–	–
Derivative liabilities	(122.2)	–	(2,109.1)	–	–	–	–	–
Currency derivatives								
Foreign currency forwards	(1,359.5)	–	(78.2)	–	(22.4)	–	(3.3)	–
Structured and hybrids	–	71.3	–	(852.5)	–	811.9	–	–
Net exposure	(382.1)	(3,450.7)	(517.7)	(978.9)	(10.0)	–	(2.9)	–

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.2 Foreign currency risk exposure (continued)

In RM million Contract based currency	USD		EUR		JPY		Others	
Maturity	<1 year	>1 year	<1 year	>1 year	<1 year	>1 year	<1 year	>1 year
Group								
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	137.8	–	4.6	–	–	–	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	(39.5)	(3,246.9)	(575.2)	(1,056.7)	(13.5)	–	35.3	–

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						
2019						
Financial assets in foreign currencies						
Cash and bank balances	**15.0**	**–**	**0.7**	**–**	**0.1**	**–**
Deposits with financial institutions	**210.2**	**–**	**–**	**–**	**–**	**–**
Amounts due from subsidiaries	**11.9**	**792.8**	**1.1**	**–**	**6.6**	**–**
Derivative assets	**–**	**–**	**1,687.1**	**–**	**–**	**–**
Financial liabilities in foreign currencies						
Borrowings	**(124.3)**	**(580.1)**	**–**	**–**	**–**	**–**
Amounts due to subsidiaries	**(14.6)**	**(757.4)**	**–**	**–**	**–**	**–**
Derivative liabilities	**–**	**–**	**(2,109.1)**	**–**	**–**	**–**
Currency derivatives						
Structured and hybrids	**–**	**828.7**	**–**	**(852.5)**	**–**	**–**
Net exposure	**98.2**	**284.0**	**(420.2)**	**(852.5)**	**6.7**	**–**
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	–

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 RM3.8 billion) (2018 – USD0.8 billion (equivalent to RM3.3 billion)) and in EUR by EUR0.3 billion (equivalent to RM1.5 billion) (2018 – EUR0.3 billion (equivalent to RM1.6 billion)), where USD0.8 billion (equivalent to RM3.5 billion) (2018 – USD0.8 billion (equivalent to RM3.2 billion)) and EUR0.2 billion (equivalent to RM1.0 billion) (2018 – EUR0.2 billion (equivalent to RM1.1 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 of the Company are as follows:

Group

2019

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.

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.

39. FINANCIAL INSTRUMENTS (continued)

39.1 Foreign currency risk (continued)

39.1.2 Foreign currency risk exposure (continued)

Company

2019

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.

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.

39.1.3 Sensitivity analysis

The Group's exposure to foreign currency risk is primarily from foreign currency denominated borrowings and deposits. A 1,000 pips increase or decrease in foreign currency rate of foreign currency denominated borrowings and deposits would have equally decreased or increased the profit for the Group and the Company by approximately RM83.1 million (2018 – RM74.7 million) and RM11.6 million (2018 – RM1.4 million) respectively.

39.2 Interest rate risk

The Group's interest rate risk arises from its interest bearing financial instruments that could impact fair value and future cash flows due to fluctuation in market interest rates.

The Group's objective on interest rate risk management is to achieve a balance in repricing risks and the optimisation of its cost of funds whilst ensuring sufficient liquidity to meet funding needs.

39.2.1 Risk management approach

The Group actively reviews its debt portfolio, taking into account the nature and requirements of its businesses as well as the current business and economic environment. This strategy allows it to achieve an optimum cost of capital whilst locking in long term funding rates for long term investments.

Funds held for liquidity purposes and temporary surpluses are placed in short term interest bearing financial instruments. Changes in market interest rates will be re-priced immediately into these floating interest bearing financial instruments.

39. FINANCIAL INSTRUMENTS (continued)

39.2 Interest rate risk (continued)

39.2.2 Interest rate risk exposure

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the financial year and the remaining repricing brackets of the Group's and the Company's financial instruments that are exposed to interest rate risk:

		Repricing Brackets					Total	
In RM million	Note	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Amount	Weighted average effective interest rate %
Group								
2019								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	28	1,775.7	–	–	–	–	1,775.7	*3.08*
Deposits with financial institutions	29	302.6	–	–	–	–	302.6	*2.55*
Amount due from a joint venture	22.3	–	13.8	–	–	–	13.8	*3.50*
		2,078.3	13.8	–	–	–	2,092.1	
Floating rate instruments								
Cash and bank balances		520.3	–	–	–	–	520.3	*1.73*
		520.3	–	–	–	–	520.3	
Total assets repricing		2,598.6	13.8	–	–	–	2,612.4	
Interest bearing financial liabilities								
Fixed rate instruments								
Term loans	32.1	–	–	–	–	812.0	812.0	*4.38*
Notes	32.4	–	–	2,478.2	–	–	2,478.2	*4.49*
Trade financing	32.5	284.2	–	–	–	–	284.2	*2.27*
Finance lease obligation	32	0.2	0.2	0.2	0.2	7.8	8.6	*2.00*
Islamic financing facilities	32.2	–	–	–	62.2	62.1	124.3	*2.97*
		284.4	0.2	2,478.4	62.4	881.9	3,707.3	
Floating rate instruments								
Amounts due to associates	35	34.6	–	–	–	–	34.6	*7.50*
Islamic financing facilities	32.2	1,029.4	–	–	–	–	1,029.4	*2.83*
Lease liabilities	16	45.1	–	–	–	–	45.1	*6.79*
Islamic revolving credit financing facilities	32.6	124.3	–	–	–	–	124.3	*3.04*
		1,233.4	–	–	–	–	1,233.4	
Total liabilities repricing		1,517.8	0.2	2,478.4	62.4	881.9	4,940.7	
Net repricing gap		1,080.8	13.6	(2,478.4)	(62.4)	(881.9)	(2,328.3)	

39. FINANCIAL INSTRUMENTS (continued)

39.2 Interest rate risk (continued)

39.2.2 Interest rate risk exposure (continued)

In RM million	Note	Repricing Brackets: Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Total: Amount	Weighted average effective interest rate %
Group								
2018								
Interest bearing financial assets								
Fixed rate instruments								
Short term funds	28	1,087.9	–	–	–	–	1,087.9	*3.62*
Deposits with financial institutions	29	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	22.3	–	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	32.1	–	–	–	–	769.0	769.0	*4.38*
Notes	32.4	–	–	–	2,416.7	–	2,416.7	*4.49*
Trade financing	32.5	251.5	–	–	–	–	251.5	*2.37*
Finance lease obligation	32	0.2	0.2	0.2	0.2	7.7	8.5	*2.00*
		251.7	0.2	0.2	2,416.9	776.7	3,445.7	
Floating rate instruments								
Amounts due to associates	35	26.7	–	–	–	–	26.7	*6.48*
Islamic financing facilities	32.2	1,091.1	–	–	–	–	1,091.1	*2.24*
Islamic revolving credit financing facilities	32.6	643.1	–	–	–	–	643.1	*1.78*
		1,760.9	–	–	–	–	1,760.9	
Total liabilities repricing		2,012.6	0.2	0.2	2,416.9	776.7	5,206.6	
Net repricing gap		756.6	25.5	6.1	(2,416.9)	(776.7)	(2,405.4)	

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								
2019								
Interest bearing financial assets								
Fixed rate instruments								
Deposits with financial institutions	29	**210.2**	**–**	**–**	**–**	**–**	**210.2**	***2.87***
Amounts due from subsidiaries	18.2	**419.6**	**–**	**–**	**–**	**792.8**	**1,212.4**	***5.25***
Amount due from a joint venture	22.3	**–**	**13.8**	**–**	**–**	**–**	**13.8**	***3.50***
		629.8	**13.8**	**–**	**–**	**792.8**	**1,436.4**	
Floating rate instruments								
Cash and bank balances		**16.5**	**–**	**–**	**–**	**–**	**16.5**	***2.24***
		16.5	**–**	**–**	**–**	**–**	**16.5**	
Total assets repricing		**646.3**	**13.8**	**–**	**–**	**792.8**	**1,452.9**	
Interest bearing financial liabilities								
Fixed rate instruments								
Amounts due to subsidiaries	18.2	**206.0**	**–**	**–**	**–**	**1,397.4**	**1,603.4**	***4.64***
Islamic financing facilities	32.2	**–**	**–**	**–**	**62.2**	**62.1**	**124.3**	***2.97***
		206.0	**–**	**–**	**62.2**	**1,459.5**	**1,727.7**	
Floating rate instruments								
Islamic financing facilities	32.2	**455.8**	**–**	**–**	**–**	**–**	**455.8**	***2.74***
Islamic revolving credit financing facilities	32.6	**124.3**	**–**	**–**	**–**	**–**	**124.3**	***3.04***
		580.1	**–**	**–**	**–**	**–**	**580.1**	
Total liabilities repricing		**786.1**	**–**	**–**	**62.2**	**1,459.5**	**2,307.8**	
Net repricing gap		**(139.8)**	**13.8**	**–**	**(62.2)**	**(666.7)**	**(854.9)**	

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	29	971.4	–	–	–	–	971.4	*2.20*
Amounts due from subsidiaries	18.2	34.0	–	–	–	677.6	711.6	*5.35*
Amount due from an associate	26	4.6	–	–	–	–	4.6	*1.33*
Amount due from a joint venture	22.3	–	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	18.2	257.9	–	–	–	1,239.3	1,497.2	*4.61*
		257.9	–	–	–	1,239.3	1,497.2	
Floating rate instruments								
Islamic financing facilities	32.2	444.9	–	–	–	–	444.9	*2.52*
Islamic revolving credit financing facilities	32.6	643.1	–	–	–	–	643.1	*1.78*
		1,088.0	–	–	–	–	1,088.0	
Total liabilities repricing		1,345.9	–	–	–	1,239.3	2,585.2	
Net repricing gap		(247.9)	25.7	6.3	–	(561.7)	(777.6)	

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 of the Company are as follows:

Group

2019

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.

2018

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

2019

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.

2018

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 not affected by changes in interest rates.

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 RM1.3 million (2018 – RM4.6 million) and RM0.5 million (2018 – RM2.8 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.

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						
2019						
Commodity based						
Forward sales contracts	**(720.4)**	**–**	**(720.4)**	**54.7**	**–**	**54.7**
Forward purchase contracts	**347.0**	**–**	**347.0**	**(16.5)**	**–**	**(16.5)**
Commodity derivatives	**109.8**	**–**	**109.8**	**(2.0)**	**–**	**(2.0)**
Equity based						
Other investments	**83.4**	**–**	**83.4**	**69.2**	**–**	**69.2**
				105.4	**–**	**105.4**
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
Company						
2019						
Equity based						
Other investments	**4.0**	**–**	**4.0**	**4.3**	**–**	**4.3**
				4.3	**–**	**4.3**
2018						
Equity based						
Other investments	4.0	–	4.0	4.4	–	4.4
				4.4	–	4.4

39. FINANCIAL INSTRUMENTS (continued)

39.3 Price fluctuation risk (continued)

39.3.3 Sensitivity analysis

The Group's exposure to price volatility was derived from palm products and other investments. If the price changes by 7.5%, profit or loss for the Group and the Company would have equally increased or decreased by approximately RM14.6 million (2018 – RM10.2 million) and RM0.3 million (2018 – RM0.3 million) respectively.

39.4 Credit risk

The Group's credit risk exposure is mainly related to external counter-party credit risk on monetary financial assets and trade credits. Credit risk is managed at the business unit level, but macro Group-wide policies on the granting of credit and credit control are issued and monitored centrally, such as those relating to credit risk concentration, adequacy of formal credit rating and evaluation of counter parties, credit impairment and unit level credit control performance.

Credit risk from monetary financial assets is generally low as the counter-parties involved are strongly rated financial institutions or authorised exchanges. The Group does not extend any loans or financial guarantees to third parties except for its own subsidiaries and joint venture.

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 ongoing 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 7 to 90 days – and across global markets of varying sovereign risk. The Group also engages in forward sales (and forward procurement of feedstock). Such forward contracts may have positive fair valuation giving rise to counter-party default risk.

Policies and procedures

a) Customers are assessed for credit and sovereign nation risks (where applicable) on both quantitative and qualitative elements prior to the approval of credit exposure and limits. In this regard, external credit rating services such as Standard & Poor's or Dun & Bradstreet are used. Where customers are approved for forward physical contracts, limits on contractual forward periods and value are established. Regular reviews are made;

b) Credit risk authority is decentralised to the respective entities' credit committee – but supervised centrally at the corporate level; and

c) Credit exposure is monitored on limits and ageing, managed and reviewed periodically. Customers with emerging credit problems are identified early and remedial actions are taken promptly to minimise further exposure and to restore past due status.

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.1 Risk management approach (continued)

i. Plantation and resource-based manufacturing (continued)

Collateral and credit enhancement

In general, a combination of:

a) Corporate guarantee may be required for globe-wide credit facilities for multinational corporations;

b) Cash deposits/advances may be required for certain customers or orders;

c) Transactional documentation (i.e. Letter of Credit or Cash against Document) for export sales; and

d) Credit insurance coverage (up to certain established limits) for downstream Oleochemical and Specialty Fats' credit sales – leaving some credit exposure on declined coverage and those beyond approved limits.

ii. Financial institutions and Exchanges

The Group places its working capital and surplus funds in current account, money market, and time-deposits with banks; and in security papers and investment trusts managed by licensed institutions. The Group also enters into financial derivative contracts with licensed financial institutions, and in commodity futures contracts with licensed Exchanges for hedging purposes. Beyond the minimal deposit guarantee offered by certain sovereign nation's deposit insurance schemes, the Group is exposed to a degree of counter-parties' credit risk in times of severe economic or financial crisis.

Policies and procedures

a) Funds are placed only with licensed financial institutions with credit rating of "A- and above". Similar requirement is enforced on counter-parties for financial derivatives in addition to the mandatory International Swaps and Derivatives Association master agreements;

b) Funds placements are centrally monitored, and where applicable are spread out based on location needs; and

c) Commodity futures are incepted only with main licensed Exchanges.

Collateral and credit enhancement

In general, a combination of:

a) National deposit insurance; and

b) Fidelity guarantee.

In general, all business units in the Group have a comprehensive policy that governs the need for formal credit rating system and evaluation on counter parties prior to any contractual arrangement that would result in credit risk exposure. Besides exposure amount, credit risk is also measured and monitored by way of credit quality segregation, 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 placements, investments and amounts due from subsidiaries as summarised in the table below for both the Group and the Company level.

In RM million	Note	Maximum exposure	Collateral and enhancement obtained	Net exposure to credit risk	Collateral or credit enhancement obtained
Group					
2019					
Financial assets					
Cash and bank balances		**520.3**	–	**520.3**	(i) Fidelity guarantee and cash-in-transit insurance cover; and (ii) Banks' limited guarantee of deposits
Deposits with financial institutions	29	**302.6**	–	**302.6**	
Trade and other receivables, excluded deposits and prepayments		**699.7**	**91.1**	**608.6**	Letter of credit and credit insurance
Other investments	25	**69.2**	–	**69.2**	
Short term funds	28	**1,775.7**	–	**1,775.7**	
Amounts due from associates	26	**94.4**	–	**94.4**	
Amount due from a joint venture	22.3	**11.9**	–	**11.9**	
Derivative assets	20	**562.0**	–	**562.0**	
		4,035.8	**91.1**	**3,944.7**	
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	29	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	25	86.1	–	86.1	
Short term funds	28	1,087.9	–	1,087.9	
Amounts due from associates	26	147.4	–	147.4	
Amount due from a joint venture	22.3	32.0	–	32.0	
Derivative assets	20	554.3	–	554.3	
		4,248.9	102.7	4,146.2	

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					
2019					
Financial assets					
Cash and bank balances		**16.5**	–	**16.5**	
Deposits with financial institutions	29	**210.2**	–	**210.2**	
Other investments	25	**4.3**	–	**4.3**	
Other receivables, excluded deposits and prepayments		–	–	–	
Amounts due from subsidiaries		**1,212.4**	–	**1,212.4**	
Amount due from a joint venture	22.3	**11.9**	–	**11.9**	
Derivative assets	20	**346.4**	–	**346.4**	
		1,801.7	–	**1,801.7**	
2018					
Financial assets					
Cash and bank balances		88.0	–	88.0	
Deposits with financial institutions	29	971.4	–	971.4	
Other receivables, excluded deposits and prepayments		24.9	–	24.9	
Other investments	25	4.4	–	4.4	
Amounts due from subsidiaries		711.6	–	711.6	
Amount due from an associate	26	4.6	–	4.6	
Amount due from a joint venture	22.3	32.0	–	32.0	
Derivative assets	20	363.5	–	363.5	
		2,200.4	–	2,200.4	

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 charged/(reversed) for the year.

In RM million	Not past due			Past due	Total	Impairment charged/ (reversed) in reporting period	Impairment losses at end of reporting period
	Strong	Medium	Weak				
2019							
Group							
Cash and bank balances	520.3	–	–	–	520.3	–	–
Deposits with financial institutions	302.6	–	–	–	302.6	–	–
Trade and other receivables, excluded deposits and prepayments	564.4	70.8	–	64.5	699.7	4.1	8.6
Other investments	69.2	–	–	–	69.2	–	–
Short term funds	1,775.7	–	–	–	1,775.7	–	–
Amounts due from associates	93.1	0.1	–	1.2	94.4	(0.6)	0.5
Amount due from a joint venture	–	–	11.9	–	11.9	(0.5)	1.9
Derivative assets	562.0	–	–	–	562.0	–	–
	3,887.3	70.9	11.9	65.7	4,035.8	3.0	11.0
Company							
Cash and bank balances	16.5	–	–	–	16.5	–	–
Deposits with financial institutions	210.2	–	–	–	210.2	–	–
Other receivables, excluded deposits and prepayments	–	–	–	–	–	–	–
Other investments	4.3	–	–	–	4.3	–	–
Amounts due from subsidiaries	1,212.4	–	–	–	1,212.4	11.0	50.1
Amount due from a joint venture	–	–	11.9	–	11.9	(0.5)	1.9
Derivative assets	346.4	–	–	–	346.4	–	–
	1,789.8	–	11.9	–	1,801.7	10.5	52.0

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 Credit risk exposures and concentration (continued)

Previous accounting policy for financial assets

As disclosed in Note 3.1 to the financial statements, no restatement of comparatives was made.

The table below outlines the credit quality analysis of the Group's and the Company's financial assets together with the impairment charged for the year under MFRS 139.

In RM million	Neither past due nor impaired			Re-negotiated	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	–	–
	4,059.0	94.8	32.0	–	63.1	4,248.9	2.3	10.8

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 Credit risk exposures and concentration (continued)

Previous accounting policy for financial assets (continued)

As disclosed in Note 3.1 to the financial statements, no restatement of comparatives was made.

The table below outlines the credit quality analysis of the Group's and the Company's financial assets together with the impairment charged for the year under MFRS 139.

In RM million	Neither past due nor impaired			Re-negotiated	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	–	–
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	–	–
	2,168.4	–	32.0	–	–	2,200.4	4.2	5.7

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

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 Credit risk exposures and concentration (continued)

Receivables class using simplified approach

Ageing analysis of the receivables class using simplified approach is as follows:

In RM million	Current	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	> 120 days	Credit impaired	Total	Estimated fair values of collateral and credit enhancement held
Group									
2019									
Trade receivables									
Gross receivables	**499.3**	**38.7**	**7.9**	**0.6**	**0.2**	**6.6**	**0.1**	**553.4**	**9.7**
Impairment losses	**(2.6)**	**(0.2)**	**(0.5)**	**(0.2)**	**–**	**(5.0)**	**(0.1)**	**(8.6)**	**–**
	496.7	**38.5**	**7.4**	**0.4**	**0.2**	**1.6**	**–**	**544.8**	**9.7**
Amount due from associates (Trade)									
Gross receivables	**93.6**	**1.3**	**–**	**–**	**–**	**–**	**–**	**94.9**	**–**
Impairment losses	**(0.5)**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**–**
	93.1	**1.3**	**–**	**–**	**–**	**–**	**–**	**94.4**	**–**

Previous accounting policy for financial assets

As disclosed in Note 3.1 to the financial statements, no restatement of comparatives was made.

During the previous financial year, more than 96% in value of the Group's financial assets were of "strong" credit quality, with only the "receivables" class having past due and impairment. Besides the objective evidence of loss events, it was 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 under MFRS 139.

	Past due but not impaired						
In RM million	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	> 120 days	Total	Estimated fair values of collateral and credit enhancement held
Group							
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

Receivables of the Group that were past due but not impaired were merely represented by reputable organisations.

39. FINANCIAL INSTRUMENTS (continued)

39.4 Credit risk (continued)

39.4.2 Credit risk exposures and concentration (continued)

Previous accounting policy for financial assets (continued)

The amount past due with ageing brackets above 120 days were from active corporate clients with healthy business relationship for whom there were no recent histories of default and there were 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.

Credit risk concentration by geographic location and business segment

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								
2019								
Malaysia	**7.1**	**9**	**145.8**	**21**	**3.7**	**93**	**156.6**	**20**
Europe	**–**	**–**	**187.0**	**26**	**–**	**–**	**187.0**	**24**
Asia (excluding Malaysia)	**72.1**	**91**	**296.9**	**42**	**0.3**	**7**	**369.3**	**46**
Others	**–**	**–**	**81.2**	**11**	**–**	**–**	**81.2**	**10**
	79.2	**100**	**710.9**	**100**	**4.0**	**100**	**794.1**	**100**
2018								
Malaysia	6.7	9	95.8	14	61.4	93	163.9	20
Europe	–	–	281.4	42	4.6	7	286.0	35
Asia (excluding Malaysia)	64.8	91	186.8	28	–	–	251.6	31
Others	–	–	110.4	16	–	–	110.4	14
	71.5	100	674.4	100	66.0	100	811.9	100

	Company			
	2019		2018	
In RM million	Amount	%	Amount	%
Malaysia	**400.0**	**33**	38.7	5
Asia (excluding Malaysia)	**811.3**	**67**	697.4	94
Central and Eastern Europe	**1.1**	**–**	5.0	1
	1,212.4	**100**	741.1	100

39. FINANCIAL INSTRUMENTS (continued)

39.5 Liquidity and cash flow risk

Liquidity or cash flow risk arises when financial resources are insufficient to meet financial obligations as and when they fall due, or have to be met at excessive cost. The Group's liquidity risk includes non-financial instruments and forward contract obligations.

The Group's liquidity risk management objective is to ensure that all foreseeable funding commitments can be met as and when due and in a cost-effective manner.

39.5.1 Risk management approach

The Group leverages on IOI Corporation Berhad as the public listed parent company whereby treasury related activities are centralised and where the optimal weighted-average-costs-of funds is managed. The parent company plays a central liquidity management role where the Group's longer term funding requirements are managed based on business and liquidity needs, whilst the day-to-day operational liquidity needs are decentralised at the business unit level. The Group practises an arm's-length market based policy with regard to funding costs and encourages its business units to seek localised trade financing facilities where appropriate.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure all operating, investing and financing needs are met. To mitigate liquidity risk, management measures and forecasts its cash commitments, monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and investment activities. In addition, the Group strives to maintain available banking facilities at a reasonable level against its overall debt position.

The Group manages its liquidity risk with a combination of the following methods:

i. Maintain a balanced contractual maturity profile of financial assets to meet financial liabilities (particularly on near and immediate term maturity);

ii. Maintain a diversified range of funding sources with adequate back-up facilities;

iii. Maintain debt financing and servicing plan; and

iv. Maintain medium to long term cash flow planning incorporating funding positions and requirements of all its subsidiaries.

As the Group's policy, all business units conform to the following processes in ensuring its liquidity profiles are balanced and that all its obligations can be met when due:

i. Perform annual cash flow budgeting and medium term cash flow planning, in which the timing of operational cash flows and its resulting surplus or deficit is reasonably determined. (Such aggregation allows for an overview of the Group's forecasted cash flow and liquidity position, which in turn facilitates further consolidated cash flow planning);

ii. Manage contingent liquidity commitments and exposures;

iii. Monitor liquidity ratios against internal thresholds;

iv. Manage working capital for efficient use of tied-in funds and optimise cash conversion cycle; and

v. Manage concentration and maturity profile of both financial and non-financial liabilities.

39. FINANCIAL INSTRUMENTS (continued)

39.5 Liquidity and cash flow risk (continued)

39.5.2 Liquidity risk exposure

The following table details the maturity profile of the Group's and the Company's financial liabilities at the end of the financial year based on contractual undiscounted repayment obligations.

In RM million	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	More than 4 years	Total
Group						
2019						
Financial liabilities						
Trade and other payables	**543.6**	**–**	**–**	**–**	**–**	**543.6**
Borrowings	**586.4**	**743.2**	**3,099.3**	**101.4**	**1,380.1**	**5,910.4**
Lease liabilities	**6.9**	**4.5**	**3.2**	**42.9**	**70.7**	**128.2**
Amounts due to associates	**36.5**	**–**	**–**	**–**	**–**	**36.5**
Derivative liabilities – net settlement	**149.5**	**–**	**30.3**	**–**	**–**	**179.8**
	1,322.9	**747.7**	**3,132.8**	**144.3**	**1,450.8**	**6,798.5**
2018						
Financial liabilities						
Trade and other payables	554.7	–	–	–	–	554.7
Borrowings	1,074.9	202.7	770.1	3,025.7	1,280.6	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	3,079.3	1,280.6	7,204.2

39. FINANCIAL INSTRUMENTS (continued)

39.5 Liquidity and cash flow risk (continued)

39.5.2 Liquidity risk exposure (continued)

In RM million	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	More than 4 years	Total
Company						
2019						
Financial liabilities						
Other payables	**88.5**	**–**	**–**	**–**	**–**	**88.5**
Borrowings	**144.2**	**243.1**	**236.8**	**65.7**	**63.8**	**753.6**
Amounts due to subsidiaries	**280.9**	**69.3**	**69.3**	**67.2**	**1,919.3**	**2,406.0**
Derivative liabilities – net settlement	**126.7**	**–**	**30.3**	**–**	**–**	**157.0**
	640.3	**312.4**	**336.4**	**132.9**	**1,983.1**	**3,405.1**
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

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. FINANCIAL INSTRUMENTS (continued)

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 Level 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	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				
2019				
Derivatives				
Forward foreign exchange contracts	–	2.3	–	2.3
Commodity forward contracts	–	38.2	–	38.2
Commodity futures	(2.0)	–	–	(2.0)
Cross currency swap contracts	–	125.2	–	125.2
Interest rate swap contracts	–	(1.2)	–	(1.2)
Put option	–	–	346.4	346.4
Call option	–	–	(126.7)	(126.7)
Equity based				
Other investments	60.6	–	8.6	69.2
Short term funds	1,775.7	–	–	1,775.7
	1,834.3	164.5	228.3	2,227.1
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 contracts	–	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

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

39. FINANCIAL INSTRUMENTS (continued)

39.6 Fair values (continued)

Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value			
	Hierarchy of the underlying variable input used in measuring fair valuation			
In RM million	Level 1	Level 2	Level 3	Total
Company				
2019				
Derivatives				
Cross currency swap contracts	**–**	**(29.1)**	**–**	**(29.1)**
Interest rate swap contracts	**–**	**(1.2)**	**–**	**(1.2)**
Put option	**–**	**–**	**346.4**	**346.4**
Call option	**–**	**–**	**(126.7)**	**(126.7)**
Equity based				
Other investments	**4.3**	**–**	**–**	**4.3**
	4.3	**(30.3)**	**219.7**	**193.7**
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

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 discounted price to book ratio for comparable public companies of similar industry and size. 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.

39. FINANCIAL INSTRUMENTS (continued)

39.6 Fair values (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements of Level 3 financial instruments

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Financial assets/liabilities designated at fair value through profit or loss				
At beginning of financial year	**184.3**	7.8	**176.0**	–
Net fair value gain/(loss) recognised in profit or loss	**44.0**	(6.3)	**43.7**	(6.8)
Initial recognition of fair value of put and call options	**–**	182.8	**–**	182.8
At end of financial year	**228.3**	184.3	**219.7**	176.0

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 discounted price to book ratio for comparable public companies of similar industry and size.

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 RM17.8 million (2018 – RM21.7 million) and RM18.4 million (2018 – 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 RM0.4 million (2018 – RM1.2 million) and RM0.2 million (2018 – RM1.1 million) respectively.

vi. The fair values of short term funds are determined by reference to the quoted prices at the close of the business at the end of each reporting period.

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	Amortised cost	Fair value through profit or loss	Total
Financial assets			
2019			
Group			
Trade and other receivables, net of deposits and prepayments	699.7	–	699.7
Amounts due from associates	94.4	–	94.4
Amount due from a joint venture	11.9	–	11.9
Derivative assets	–	562.0	562.0
Other investments	–	69.2	69.2
Short term funds	–	1,775.7	1,775.7
Deposits with financial institutions	302.6	–	302.6
Cash and bank balances	520.3	–	520.3
	1,628.9	2,406.9	4,035.8
Company			
Amounts due from subsidiaries	1,212.4	–	1,212.4
Amount due from a joint venture	11.9	–	11.9
Derivative assets	–	346.4	346.4
Other investments	–	4.3	4.3
Deposits with financial institutions	210.2	–	210.2
Cash and bank balances	16.5	–	16.5
	1,451.0	350.7	1,801.7

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	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Financial liabilities				
2019				
Group				
Borrowings	4,860.6	–	–	4,860.6
Lease liabilities	45.1	–	–	45.1
Trade and other payables	543.6	–	–	543.6
Amounts due to associates	34.6	–	–	34.6
Derivative liabilities	–	150.7	29.1	179.8
	5,483.9	150.7	29.1	5,663.7
Company				
Borrowings	704.0	–	–	704.0
Other payables	88.5	–	–	88.5
Amounts due to subsidiaries	1,603.4	–	–	1,603.4
Derivative liabilities	–	157.0	–	157.0
	2,395.9	157.0	–	2,552.9

39. FINANCIAL INSTRUMENTS (continued)

39.7 Classification of financial instruments (continued)

Previous accounting policy for financial assets and financial liabilities

As disclosed in Note 3.1 to the financial statements, no restatement of comparatives was made. The financial assets and financial liabilities are classified into the following categories after initial recognition for the purpose of subsequent measurement under MFRS 139:

In RM million	Loan and receivables	Fair value through profit or loss	Total
Financial assets			
2018			
Group			
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
Company			
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

39. FINANCIAL INSTRUMENTS (continued)

39.7 Classification of financial instruments (continued)

Previous accounting policy for financial assets and financial liabilities (continued)

In RM million	Other financial liabilities	Fair value through profit or loss	Total
Financial liabilities			
2018			
Group			
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
Company			
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

40. COMMITMENTS

40.1 Capital Commitments

	Group		Company	
In RM million	**2019**	2018	**2019**	2018
Authorised capital expenditure not provided for in the financial statements				
Additions of property, plant and equipment				
– Contracted	**87.3**	109.2	**–**	–
– Not contracted	**342.7**	331.0	**0.1**	0.1
Additions of intangible assets				
– Contracted	**16.3**	–	**–**	–

40.2 Lease Commitments

40.2.1 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. CONTINGENT LIABILITIES

On 12 September 2017, the Company had entered into a share purchase agreement ("SPA") with Koninklijke Bunge B.V. ("Bunge") for the disposal of its 70% equity interest held in Loders Croklaan Group B.V.. The said disposal was completed on 1 March 2018. Bunge subsequently made purported direct claims amounting to EUR23.3 million via Notices of Indemnification dated 14 December 2018, 28 January 2019 and 29 August 2019 against the Company ("Purported Direct Claims"), alleging that the Company had breached certain warranties and covenants under the SPA.

The Company denies the Purported Direct Claims and has commenced assessment of the validity of Purported Direct Claims, whilst holding preliminary discussions with Bunge. Based on the information given, the Company's external counsel has opined that the Company has a fair chance of success in opposing the Purported Direct Claims. As at the date of these financial statements, the Directors are of the view that material losses will not likely to arise in respect of the Purported Direct Claims.

42. EFFECTS ON ADOPTION OF MFRSs 9, 15 AND 16

As disclosed in Note 3.1 to the financial statements, the Group and the Company have applied the MFRSs 9, 15 and 16 using the cumulative effect method, the cumulative effects of initially applying these standards were adjusted to the opening balance of retained earnings on 1 July 2018.

42.1 Financial impacts

The effects on adoption of MFRSs 9, 15 and 16 as at 1 July 2018 are as follows:

	Group				
In RM million	As previously stated	Effect on adoption of MFRS 9	Effect on adoption of MFRS 15	Effect on adoption of MFRS 16	As restated
ASSETS					
Non-current assets					
Right-of-use assets	–	–	–	19.9	19.9
Deferred tax assets	14.7	0.7	–	–	15.4
Amount due from a joint venture	32.0	(2.4)	–	–	29.6
Others	11,472.2	–	–	–	11,472.2
	11,518.9	(1.7)	–	19.9	11,537.1
Current assets					
Trade and other receivables	816.2	(2.7)	–	–	813.5
Amounts due from associates	147.4	(1.1)	–	–	146.3
Others	4,260.1	–	–	–	4,260.1
	5,223.7	(3.8)	–	–	5,219.9
TOTAL ASSETS	16,742.6	(5.5)	–	19.9	16,757.0
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	786.7	–	–	–	786.7
Reserves	(16.9)	–	–	–	(16.9)
Retained earnings	8,386.5	(5.1)	–	(35.2)	8,346.2
	9,156.3	(5.1)	–	(35.2)	9,116.0
Non-controlling interests	259.4	–	–	–	259.4
Total equity	9,415.7	(5.1)	–	(35.2)	9,375.4
LIABILITIES					
Non-current liabilities					
Lease liabilities	–	–	–	44.8	44.8
Deferred tax liabilities	1,114.7	(0.4)	–	3.3	1,117.6
Others	4,429.8	–	–	–	4,429.8
	5,544.5	(0.4)	–	48.1	5,592.2
Current liabilities					
Lease liabilities	–	–	–	7.0	7.0
Others	1,782.4	–	–	–	1,782.4
	1,782.4	–	–	7.0	1,789.4
Total liabilities	7,326.9	(0.4)	–	55.1	7,381.6
TOTAL EQUITY AND LIABILITIES	16,742.6	(5.5)	–	19.9	16,757.0

42. EFFECTS ON ADOPTION OF MFRSs 9, 15 AND 16 (continued)

42.1 Financial impacts (continued)

The effects on adoption of MFRSs 9, 15 and 16 as at 1 July 2018 are as follows (continued):

	Company				
In RM million	As previously stated	Effect on adoption of MFRS 9	Effect on adoption of MFRS 15	Effect on adoption of MFRS 16	As restated
ASSETS					
Non-current assets					
Amounts due from subsidiaries	677.6	(33.4)	–	–	644.2
Deferred tax assets	–	8.6	–	–	8.6
Amount due from a joint venture	32.0	(2.4)	–	–	29.6
Others	7,726.0	–	–	–	7,726.0
	8,435.6	(27.2)	–	–	8,408.4
Current assets					
Others	1,504.2	–	–	–	1,504.2
	1,504.2	–	–	–	1,504.2
TOTAL ASSETS	9,939.8	(27.2)	–	–	9,912.6
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	786.7	–	–	–	786.7
Reserves	16.4	–	–	–	16.4
Retained earnings	6,183.6	(37.0)	–	–	6,146.6
Total equity	6,986.7	(37.0)	–	–	6,949.7
LIABILITIES					
Non-current liabilities					
Others	1,740.6	–	–	–	1,740.6
	1,740.6	–	–	–	1,740.6
Current liabilities					
Trade and other payables	137.1	9.8	–	–	146.9
Others	1,075.4	–	–	–	1,075.4
	1,212.5	9.8	–	–	1,222.3
Total liabilities	2,953.1	9.8	–	–	2,962.9
TOTAL EQUITY AND LIABILITIES	9,939.8	(27.2)	–	–	9,912.6

42. EFFECTS ON ADOPTION OF MFRSs 9, 15 AND 16 (continued)

42.2 MFRS 9 *Financial Instruments*

Classification and measurement

The classification and measurement of the financial asset and financial liabilities after the adoption of MFRS 9 are as follows:

	Existing under MFRS 139	New under MFRS 9
Group		
Financial assets		
Trade and other receivables, net of deposits and prepayments	Loan and receivables	Amortised cost
Amounts due from associates	Loan and receivables	Amortised cost
Amount due from a joint venture	Loan and receivables	Amortised cost
Derivative assets	Fair value through profit or loss	Fair value through profit or loss
Other investments	Fair value through profit or loss	Fair value through profit or loss
Short term funds	Fair value through profit or loss	Fair value through profit or loss
Deposits with financial institutions	Loan and receivables	Amortised cost
Cash and bank balances	Loan and receivables	Amortised cost
Financial liabilities		
Borrowings	Other financial liabilities	Amortised cost
Trade and other payables	Other financial liabilities	Amortised cost
Amounts due to associates	Other financial liabilities	Amortised cost
Derivative liabilities	Fair value through profit or loss	Fair value through profit or loss/ Fair value through other comprehensive income
Company		
Financial assets		
Trade and other receivables, net of deposits and prepayments	Loan and receivables	Amortised cost
Amounts due from subsidiaries	Loan and receivables	Amortised cost
Amounts due from associates	Loan and receivables	Amortised cost
Amount due from a joint venture	Loan and receivables	Amortised cost
Derivative assets	Fair value through profit or loss	Fair value through profit or loss
Other investments	Fair value through profit or loss	Fair value through profit or loss
Deposits with financial institutions	Loan and receivables	Amortised cost
Cash and bank balances	Loan and receivables	Amortised cost
Financial liabilities		
Borrowings	Other financial liabilities	Amortised cost
Other payables	Other financial liabilities	Amortised cost
Amounts due to subsidiaries	Other financial liabilities	Amortised cost
Derivative liabilities	Fair value through profit or loss	Fair value through profit or loss

43. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The subsidiaries, associates and joint venture, incorporated in Malaysia except otherwise stated, are as follows:

Name of Company	Effective Group Interest 2019	Effective Group Interest 2018	Principal Activities
Direct Subsidiaries			
Plantation			
B. A. Plantations Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and investment holding
IOI Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and investment holding
Pine Capital Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and investment holding
Mayvin Incorporated Sdn Bhd	**100.0%**	100.0%	Processing of palm oil and investment holding
Dynamic Plantations Berhad	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Halusah Ladang Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Ladang Sabah Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Morisem Palm Oil Mill Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Morisem Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Perusahaan Mekassar (M) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Syarikat Pukin Ladang Kelapa Sawit Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and processing of palm oil
Pamol Plantations Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm, processing of palm oil and investment holding
Syarimo Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm, processing of palm oil and investment holding
Right Purpose Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and softwood timber
Ladang Asas Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Ladang Cantawan (Sabah) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Laksana Kemas Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Meriteam Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Morisem Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Morisem (Sabah) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Palmco Plantations (Sabah) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
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
Zonec Plus Sdn Bhd	**100.0%**	100.0%	Provision of management services
Mayvin (Sabah) Sdn Bhd	**100.0%**	100.0%	Investment holding

43. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

Name of Company	Effective Group Interest 2019	Effective Group Interest 2018	Principal Activities
Direct Subsidiaries (continued)			
Plantation (continued)			
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%	Investment holding^
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
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

43. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

Name of Company	Effective Group Interest 2019	Effective Group Interest 2018	Principal Activities
Direct Subsidiaries (continued)			
Non-Segment (continued)			
IOI Palm Products Sdn Bhd	**100.0%**	100.0%	Manufacturing and trading of oil palm related by-products^
IOI Pulp & Paper Sdn Bhd	**100.0%**	100.0%	Manufacturing and dealing in paper of all kinds^
Kean Ko Sdn Bhd	**100.0%**	100.0%	Investment holding^
Palmco Plantations Sendirian Berhad	**100.0%**	100.0%	Cultivation of oil palm^
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%	Investment holding^
Luminous Aspect Sdn Bhd	**100.0%**	100.0%	Investment holding^
Priceland Plantation Sdn Bhd	**100.0%**	100.0%	Investment holding^
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%	Investment holding^
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

43. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

Name of Company	Effective Group Interest 2019	Effective Group Interest 2018	Principal Activities
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 Kalimantan Prima Agro Mandiri# *(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%	Cultivation of oil palm
Subsidiaries of IOI Plantation Sdn Bhd			
Unico-Desa Plantations Berhad	**100.0%**	100.0%	Cultivation of oil palm, processing of palm oil and investment holding
IOI Pelita Plantation Sdn Bhd	**70.0%**	70.0%	Cultivation of oil palm
Subsidiaries of Unico-Desa Plantations Berhad			
Unico Plantations Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm and investment holding
Basic Plantation (S) Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Builtec Agricultural & Development Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Gelodar Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Golden Focus Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Korop Holdings Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Zutaland Development Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm

43. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

Name of Company	Effective Group Interest 2019	2018	Principal Activities
Indirect Subsidiaries (continued)			
Plantation (continued)			
Subsidiaries of Unico Plantations Sdn Bhd			
Fasgro Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Segaco Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Supercrop Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Syarikat Zuba Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Topcrop Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Tutico Plantation Sdn Bhd	**100.0%**	100.0%	Cultivation of oil palm
Unico Oil Mill Sdn Bhd	**100.0%**	100.0%	Processing of palm oil
Resource-based Manufacturing			
Subsidiary of IOI Edible Oils Sdn Bhd			
IOI Jeti Sdn Bhd *(Struck-off under section 550 of the Companies Act 2016 and did not have any material effect to the result)*	–	100.0%	Dormant
Subsidiaries of IOI Oleochemical Industries Berhad			
IOI Acidchem Sdn Bhd*	**100.0%**	100.0%	Manufacture and sale of fatty acids, soap noodles, glycerine and other related products
IOI Derichem Sdn Bhd*	**100.0%**	100.0%	Investment holding
IOI Esterchem (M) Sdn Bhd*	**100.0%**	100.0%	Manufacturing 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

43. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

Name of Company	Effective Group Interest 2019	Effective Group Interest 2018	Principal Activities
Indirect Subsidiaries (continued)			
Non-Segment			
Subsidiaries of IOI Oleochemical Industries Berhad			
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
Quantum Green Sdn Bhd*	**100.0%**	100.0%	Provision of management services
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
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%	Property maintenance services^

Notes:

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

\# Audited by member firms of BDO International.

^ The companies remained dormant during the financial year.

43. LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE (continued)

Name of Company	Effective Group Interest 2019	2018	Principal Activities
Associates			
Plantation			
Reka Halus Sdn Bhd	**30.0%**	30.0%	Cultivation of oil palm and processing of palm oil
Associate of Lynwood Capital Resources Pte Ltd and Oakridge Investments Pte Ltd			
Bumitama Agri Ltd *(Incorporated in Singapore)*	**32.0%**	32.0%	Investment holding
Resource-based Manufacturing			
Bunge Loders Croklaan Group B.V. *(Incorporated in The Netherlands)*	**30.0%**	30.0%	Investment holding
Associates of IOI Oleochemical Industries Berhad			
Fatty Chemical (Malaysia) Sdn Bhd	**30.0%**	30.0%	Manufacture and sale of fatty alcohols and refined glycerine
Kao Plasticizer (Malaysia) Sdn Bhd	**30.0%**	30.0%	Manufacture 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 Venture			
Resource-based Manufacturing			
Adeka Foods (Asia) Sdn Bhd	**40.0%**	40.0%	Manufacturing of margarine, shortening and fat spreads

44. AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 30 June 2019 were authorised for issue by the Board of Directors on 12 September 2019.

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 117 to 238 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 2019 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 Peter Chin Fah Kui
Independent Non-Executive Chairman

Dato' Lee Yeow Chor
Group Managing Director and Chief Executive

Putrajaya
12 September 2019

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 117 to 238 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 2019	)	

Before me

Ng Say Jin
Commissioner for Oaths
No. B195

Independent Auditors' Report

to the Members of IOI Corporation Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of IOI Corporation Berhad, which comprise the statements of financial position as at 30 June 2019 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 117 to 238.

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 2019, 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 RM209.8 million respectively as disclosed in Note 17.1 to the financial statements. There was no impairment loss on goodwill in the current financial year.

We determined this to be a key audit matter because 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.

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 compared 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 use 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 20 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") in the previous financial year as further disclosed in Note 20(v) to the financial statements.

As at 30 June 2019, the total derivative financial instruments of the Group and of the Company that were carried at fair value comprised financial assets of RM562.0 million and RM346.4 million and financial liabilities of RM179.8 million and RM157.0 million respectively.

The determination of the fair values of the derivative financial instruments is a key audit matter because it involves significant judgements 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:

Valuation of derivative financial instruments other than put and call options

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

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

(iii) re-computed the fair values of the put and call options based on the above inputs 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.

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.

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

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 43 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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tang Seng Choon
02011/12/2019 J
Chartered Accountant

Kuala Lumpur
12 September 2019

Group Properties

A. PLANTATION ESTATES

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Year of Acquisition	Net Carrying Amount as at 30 June 2019 RM million
Pahang Darul Makmur						
Bukit Dinding Estate, Bentong	Freehold	1,660	OP	–	1983	117.2
Pukin Estate, Pekan Rompin	Leasehold expiring 2071, 2074, 2077	2,428	OP	1	1985	125.0
Mekassar Estate, Pekan Rompin	Leasehold expiring 2075	1,209	OP	–	1985	62.0
Detas Estate, Pekan	Leasehold expiring 2081	2,226	OP	–	1989	135.8
Bukit Leelau Estate, Pekan	Leasehold expiring 2088	2,096	OP	1	1989	128.0
Merchong Estate, Pekan	Leasehold expiring 2075	1,952	OP	–	1990	98.7
Leepang A Estate, Rompin	Leasehold expiring 2067	2,404	OP	–	2000	109.9
Laukin A Estate, Rompin	Leasehold expiring 2067	1,620	OP	–	2000	73.5
Shahzan IOI Estate 1, Rompin	Leasehold expiring 2062	1,562	OP	–	2002	66.5
Shahzan IOI Estate 2, Rompin	Leasehold expiring 2062	1,640	OP	–	2002	52.1
Negeri Sembilan Darul Khusus						
Regent Estate, Tampin	Freehold	2,300	OP	–	1990	162.8
Bahau Estate, Kuala Pilah	Freehold	2,553	OP	–	1990	177.8
Kuala Jelei Estate, Kuala Pilah	Freehold	679	OP	–	1990	45.1
Johor Darul Takzim						
Gomali Estate, Segamat	Freehold	2,556	OP R	1	1990	188.1
Paya Lang Estate, Segamat	Freehold	2,446	OP R	–	1990	169.4
Tambang Estate, Segamat	Freehold	2,011	OP	–	1990	141.1
Bukit Serampang Estate, Tangkak	Freehold	2,564	OP	–	1990	172.5
Kahang Estate, Kluang	Leasehold expiring 2082	2,420	OP	–	1990	111.9
Sagil Estate, Tangkak	Freehold	2,539	OP	–	1990	178.7
Segamat Estate, Segamat	Freehold	1,340	OP	–	1990	96.4
Pamol Plantations Estate, Kluang	Freehold	8,088	OP	1	2003	596.8
Sabah						
Morisem 1 Estate, Kinabatangan	Leasehold expiring 2080	2,032	OP	–	1993	51.2
Morisem 2 Estate, Kinabatangan	Leasehold expiring 2038, 2087, 2090	2,042	OP	–	1993–2009	61.3
Morisem 3 Estate, Kinabatangan	Leasehold expiring 2087, 2088	2,014	OP	–	1993	56.1
Morisem 4 Estate, Kinabatangan	Leasehold expiring 2089	2,023	OP	–	1993	54.6
Morisem 5 Estate, Kinabatangan	Leasehold expiring 2078	1,878	OP	–	1993	41.2
Baturong 1-3 Estates, Kunak	Leasehold expiring 2081	7,485	OP	1	1991	238.7
Halusah Estate, Lahad Datu	Leasehold expiring 2076, 2078	813	OP	–	1991	23.6

A. PLANTATION ESTATES (continued)

Location	Tenure	Area (Hectare)	Crop Planted	Factory/ Mill	Year of Acquisition	Net Carrying Amount as at 30 June 2019 RM million
Sabah (continued)						
Syarimo 1-9 Estates, Kinabatangan	Leasehold expiring 2035, 2077-2097, 2963-2990	18,417	OP	1	1985–2000	506.4
Permodalan Estate, Kinabatangan	Leasehold expiring 2078	8,094	OP	–	1995	136.5
Laukin Estate, Sugut	Leasehold expiring 2077	2,128	OP	–	1996	56.5
Sakilan Estate, Sandakan	Leasehold expiring 2887	2,296	OP	1	1996	95.8
Ladang Sabah Estates, Labuk-Sugut	Leasehold expiring 2077, 2082, 2087, 2089	12,194	OP	1	1998–2003	372.8
Cantawan Estate, Lahad Datu	Leasehold expiring 2061, 2066, 2078-2080	1,452	OP	–	1998	36.4
Tas Estate, Kinabatangan	Leasehold expiring 2077	1,209	OP	–	1998	29.5
Tangkulap Estate, Labuk-Sugut	Leasehold expiring 2080-2086	2,277	OP	–	2001	125.5
Bimbingan Estate, Labuk-Sugut	Leasehold expiring 2083	3,893	OP	–	2001	150.0
Pamol Plantations, Labuk-Sugut	Leasehold expiring 2037, 2081, 2097	1,792	OP	–	2003–2007	48.9
Pamol Estates, Labuk-Sugut	Leasehold expiring 2888	8,186	OP	1	2003	380.5
Milik Berganda Estate, Labuk-Sugut	Leasehold expiring 2090	5,278	OP	–	2003	147.7
Linbar 1-2 Estates, Kinabatangan	Leasehold expiring 2081	4,840	OP	–	2003	170.8
Mayvin 1-2 Estates, Labuk-Sugut	Leasehold expiring 2079-2081, 2090, 2092	3,423	OP	1	2003	118.3
Mayvin 5-6 Estates, Kinabatangan	Leasehold expiring 2082	3,602	OP	–	2003	102.7
Leepang 1-5 Estates, Kinabatangan	Leasehold expiring 2030-2039, 2078-2102	10,031	OP	2	2003–2009	212.5
Unico 1-5 Estates, Kinabatangan	Leasehold expiring 2081-2101	11,396	OP	1	2013	522.6
Unico 6 Estate, Lahad Datu	Leasehold expiring 2074, 2077-2079	2,264	OP	1	2013	135.8
Sarawak						
Sejap Estate, Baram	Leasehold expiring 2058	4,960	OP	–	2002	18.5
Tegai Estate, Baram	Leasehold expiring 2067, 2095	4,038	OP	–	2002	6.1

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 2019 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	24	6.8

C. INDUSTRIAL PROPERTIES

Location	Tenure	Land Area	Usage	Age of Building (Year)	Year of Acquisition	Net Carrying Amount as at 30 June 2019 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	22	1995	77.8
Lorong Perusahaan Satu Prai Industrial Complex 13600 Prai Penang	Leasehold expiring between 2035–2071	180,263 sq m	Offices and factory sites	40	2001	52.9
			Factory site	4–18		32.4
Palmco Jaya Warehouse Bulk Cargo Terminal 13600 Prai Penang	Leasehold expiring 2025	13,491 sq m	Bulk cargo terminal	45	2001	0.1
Deep Water Wharves 12100 Butterworth Penang	Leasehold expiring 2030	8,615 sq m	Bulking installation	45	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	27–42	2007	17.7

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 2019 RM million
PT 17368, Jalan Pekeliling PT 101373 & PT 80565, Jalan Timah PT 101367, Jalan Tembaga Pasir Gudang, Johor Bahru Johor Darul Takzim	Leasehold expiring 2038, 2047, 2051	8.3 hectares	Factory complex	28–41	2007	15.4
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	30	2001	–
Dusun Arang-Arang Air Hitam Hulu Kecamatan Kendawangan Kabupaten Ketapang Kalimantan Barat, Indonesia	*	122,444 sq m	Palm oil mill	5	^	31.0
Zur Hafenspitze 15 19322 Wittenberge Germany	Freehold	60,000 sq m	Factory complex	18	2016	9.8
Arthur-Imhausen-Strasse 92 D-58453 Witten Germany	Perpetual lease	24,000 sq m	Factory complex	28	2016	38.6

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 2019 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
Country lease 115310926 Jalan Segama Lahad Datu Sabah	Leasehold expiring 2932	1 hectare	Regional office	18	1993	–
Country lease 075349343, 075349352 Lot 34, Phase 7A Northern Ring Road Sandakan Sabah	Leasehold expiring 2882	417 sq m	3 storey shop/ office	5	2015	1.3
302-H, Jalan Relau Desaria, 11900 Sg Ara Penang	Freehold	167 sq m	Shoplot	24	2001	0.2
Lot 8165, Mukim 12 Sg Ara Estate Penang	Freehold	1,799 sq m	Future development land	–	2001	0.1
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 Fiftieth Annual General Meeting ("**50th AGM**") of the Company will be held at Millennium Ballroom 1 (Level 1), Le Méridien Putrajaya, Lebuh IRC, IOI Resort City, 62502 Putrajaya, Malaysia on Friday, 25 October 2019 at 10:00 am for the following purposes:

AGENDA

1 To receive the Audited Financial Statements for the financial year ended 30 June 2019 and the Reports of the Directors and Auditors thereon.

2 To approve the payment of a final single tier dividend of 4.5 sen per ordinary share for the financial year ended 30 June 2019. **Resolution 1**

3 To re-elect the following Directors retiring by rotation pursuant to Article 101 of the Company's Constitution:

i) Tan Sri Peter Chin Fah Kui **Resolution 2**

ii) Lee Yeow Seng **Resolution 3**

4 To consider and if thought fit, to pass the following Ordinary Resolution:

"THAT the payment of Directors' fees (inclusive of Board Committees' fees) of RM1,085,389 for the financial year ending 30 June 2020 payable quarterly in arrears after each month of completed service of the Directors during the financial year be and is hereby approved." **Resolution 4**

5 To approve the payment of Directors' benefits (other than Directors' fees) of up to RM280,000 for the period from 25 October 2019 until the next Annual General Meeting. **Resolution 5**

6 To re-appoint Messrs BDO PLT, the retiring Auditors for the financial year ending 30 June 2020 and to authorise the Audit and Risk Management Committee to fix their remuneration. **Resolution 6**

7 As special business, to consider and if thought fit, to pass the following Ordinary/Special Resolution(s):

7.1 Ordinary Resolution – Continuing in Office as an Independent Non-Executive Director

"THAT authority be and is hereby given to Datuk Karownakaran @ Karunakaran a/l Ramasamy, who will be attaining a cumulative term of more than nine (9) years on 17 January 2020 as an Independent Non-Executive Director of the Company, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." **Resolution 7**

7.2 Ordinary Resolution – 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 8**

7.3 Ordinary Resolution – 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 9**

7.4 Ordinary Resolution – 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(I), Section 4 of the Circular to Shareholders of the Company dated 27 September 2019 ("**Shareholders' Mandate**") subject to the following:

i) the transactions are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

ii) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year.

THAT authority conferred by this resolution will commence immediately upon the passing of this resolution and shall continue to be in force until:

i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless renewed by a resolution passed by the shareholders of the Company in a general meeting;

ii) the expiration of the period within which the next Annual General Meeting of the Company after that date it is required to be held pursuant to Section 340(2) of the Act *(but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act)*; or

iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier,

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholders' Mandate." **Resolution 10**

7.5 Ordinary Resolution – Proposed Gratuity Payment to Former Executive Chairman of the Company

"THAT approval be and is hereby given for the Company to pay a gratuity amounting to RM27.36 million to the late Tan Sri Dato' Lee Shin Cheng in recognition of his 38 years of service and contribution to IOI Group.

AND THAT authority be and is hereby given to the Directors of the Company to take all such actions as they may consider necessary to give full effect to this resolution." **Resolution 11**

7.6 Special Resolution – Proposed Amendments to the Constitution of the Company

"THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in Part B(II) of the Circular to Shareholders of the Company dated 27 September 2019 with immediate effect AND THAT the Directors and Company Secretary of the Company be and are hereby authorised to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **Special Resolution**

8 To transact any other business of which due notice shall have been given.

NOTICE OF FINAL DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the 50th AGM, a final single tier dividend of 4.5 sen per ordinary share for the financial year ended 30 June 2019 will be payable on 22 November 2019 to shareholders whose names appear in the Record of Depositors and Register of Members of the Company at the close of business on 11 November 2019.

A depositor shall qualify for entitlement only in respect of:

a) Shares transferred into the depositor's securities account before 4:30 p.m. on 11 November 2019 in respect of transfers; and

b) Shares deposited into the depositor's securities account before 12:30 p.m. on 7 November 2019 (in respect of shares which are exempted from mandatory deposit); and

c) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board,

Vincent Tan Choong Khiang
Secretary (MAICSA 7018448)

Putrajaya
27 September 2019

Notes:

1 Items 1 to 7.5 above are proposed as ordinary resolutions except item 7.6 as special resolution. For any of the ordinary resolutions listed above to be passed at the 50th AGM, more than half the votes cast must be in favour of the resolutions. Special resolution requires at least three quarter of the votes cast to be in favour.

Voting on all resolutions to be proposed at the 50th 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 Sdn Bhd**, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding the 50th AGM or any adjournment thereof.

8 Only shareholders whose names appear in the Record of Depositors and Register of Members as at **18 October 2019** shall be eligible to attend the 50th 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 (the "**Act**").

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 50th AGM (including any adjournment thereof).

11 **To receive Audited Financial Statements for the financial year ended 30 June 2019**

This Agenda item is meant for discussion only as under the provision of Section 340(1) of the Act, the audited financial statements do not require a formal approval of the shareholders. Hence, this resolution will not put forward for voting.

The 2019 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 2019 Annual Report at IOI Corporation Berhad's website, www.ioigroup.com.

The Chairman will give shareholders an opportunity to ask questions about, and make comments on, the financial statements and reports and IOI Group's performance.

Shareholders will also be given an opportunity to ask the representative(s) of the Company's Auditors, BDO PLT ("**BDO PLT**"), questions relevant to audit matters, including the Auditors' Report.

12 **Final single-tier dividend**

On 15 August 2019, the Board had considered the amount of final dividend and decided to recommend the same for the shareholders' approval. The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the payment is made on 22 November 2019 in accordance with the solvency requirements under Sections 132(2) and (3) of the Act.

13 **Re-election of Directors**

Tan Sri Peter Chin Fah Kui and Lee Yeow Seng, who 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 50th 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 Director who is seeking for re-election and is satisfied that the Independent Director has complied with the independence criteria applied by the Company and continue to bring independent and objective judgement to the Board deliberation.

Detailed profile of each Director, including their career history, competencies and experience can be found from pages 72 to 74 of the 2019 Annual Report.

14 **Directors' fees and benefits payable**

The Governance, Nominating and Remuneration Committee ("**GNRC**") 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 FY2020 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 insurance coverage. 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.

15 **Re-appointment of Auditors**

The Company's Auditors, BDO, a conventional partnership, has successfully converted its status to a limited liability partnership pursuant to Section 29 of the Limited Liability Partnerships Act 2012. They are now registered under the name of BDO PLT with Audit Firm number remained unchanged as AF 0206.

BDO PLT must offer themselves for re-appointment at each AGM at which Audited Financial Statements are presented. The performance and effectiveness of the BDO PLT has 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 PLT be re-appointed and its remuneration be determined by the ARMC. The representatives of BDO PLT will be present at the 50th AGM.

16 **Explanatory Notes on Special Businesses**

i) Continuing in Office as an Independent Non-Executive Director

Ordinary Resolution 7 is to seek approval from the shareholders for Datuk Karownakaran @ Karunakaran a/l Ramasamy ("**Datuk Karunakaran**") to continue in office as an Independent Non-Executive Director ("**INED**") of the Company.

Notes: (continued)

The GNRC had on 12 September 2019 assessed the independence of Datuk Karunakaran, who will be attaining a cumulative term of more than nine (9) years on 17 January 2020 as an Independent Non-Executive Director of the Company. The Board recommended that the approval of the shareholders be sought to retain Datuk Karunakaran as an INED as he possesses the following attributes necessary in discharging his roles and functions as an INED of the Company:

a) He has met the criteria under the definition of Independent Director pursuant to Chapter 1 of the Main Market Listing Requirements of Bursa Securities;

b) He has vast experience in different sector of industries and as such could provide the Board with a diverse set of experience, expertise and independent judgment;

c) He consistently challenges the management in an effective and constructive manner;

d) He actively expresses his views and participates in Board deliberations and decision making in an objective manner; and

e) His length of service on the Board does not in any way interfere with his fiduciary duties in exercising due care in the best interest of the Company and minority shareholders.

ii) Authority to Directors to allot and issue shares pursuant to Section 76 of the Act

Ordinary Resolution 8 is to seek a renewal of the general mandate which was approved at the 49th AGM of the Company held on 26 October 2018 and which will lapse at the conclusion of the forthcoming 50th AGM to be held on 25 October 2019.

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 8, 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 49th 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.

iii) Proposed Renewal of Existing Share Buy-Back Authority

Ordinary Resolution 9 is to seek a renewal of the authority granted at the 49th AGM of the Company held on 26 October 2018 and which will lapse at the conclusion of the forthcoming 50th AGM to be held on 25 October 2019. 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 asset value per share for the remaining shareholders and would be in the best interests of the Company generally, having due regard to appropriate gearing levels, alternative investment opportunities and the overall financial position of the Company.

Any purchases of ordinary shares would be by means of market purchases through the Bursa Securities. 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 purchase any ordinary shares during FY2019.

Please refer to explanatory information in the Share Buy-Back Statement dated 27 September 2019.

iv) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Ordinary Resolution 10 is to seek approval from the shareholders for renewal of the shareholders' mandate granted by the shareholders of the Company at the 49th AGM held on 26 October 2018. 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 50th AGM of the Company.

The details of the proposal are set out in Part B(I) of the Circular to Shareholders dated 27 September 2019.

v) Proposed Gratuity Payment to the Former Executive Chairman of the Company

The late Tan Sri Dato' Lee Shin Cheng had indicated his intention to retire from his office as the Executive Chairman of the Company effective from 3 June 2019. The retirement of the former Executive Chairman was announced to Bursa Securities and the staff of the Group on 31 May 2019. The late Tan Sri Dato' Lee was appointed to the Board of the Company on 21 July 1981. He was subsequently appointed as "Managing Director" on 1 July 1988. On 25 October 1999, he was re-designated to Executive Chairman.

The proposed gratuity was in recognition of the late Tan Sri Dato' Lee's commitment, dedication and contribution to IOI Group, and as a gesture of appreciation for the late Tan Sri Dato' Lee's 38 years of service with the Group. The proposed gratuity payment of RM27.36 million is computed at 1.5 months for every year of service (i.e. 38 years) in the Group, based on his last drawn monthly salary of RM480,000, which is a one-off payment from the Company which, if approved by shareholders, will be paid in cash funded entirely from the internally generated funds of IOI Group in early November 2019. The approval of the shareholders of the Company at the 50th AGM is required for the proposed gratuity pursuant to Section 230(1) of the Act.

Upon the Board's (excluded the interested Directors) recommendation on the proposed gratuity subsequent to the issuance of financial statements, the estate of the late Tan Sri Dato' Lee has decided to voluntarily waive the bonus entitlement for FY2019.

vi) Proposed Amendments to the Constitution of the Company

The proposed amendments to the existing Memorandum & Articles of Association (Constitution) of the Company ("**Proposed Amendments**") are made mainly for the following purposes:

a) To streamline and ensure compliance with the relevant provisions of the Act and Main Market Listing Requirements of Bursa Securities; and

b) To provide clarity and consistency throughout in order to facilitate and further enhance practicality and administrative efficiency.

Under Section 36 of the Act, amendments to the Constitution can be made if duly passed by a Special Resolution. In view of the substantial amendments to the Constitution, the Board proposed that the existing Constitution be amended by the Company in its entirety by the replacement thereof with a new Constitution which incorporated all the Proposed Amendments as set out in Part B(II) of the Circular to Shareholders dated 27 September 2019. In view of the above, the shareholders' approval is sought for the Proposed Amendments.

The Proposed Amendments shall take effect once the Special Resolution has been passed by a majority of not less than seventy-five per centum (75%) of such shareholders who are entitled to vote and do vote in person or by proxy at the 50th AGM.

Statement Accompanying Notice of Annual General Meeting

Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Securities

(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 50th Annual General Meeting 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:

- Tan Sri Peter Chin Fah Kui
- Lee Yeow Seng

The profiles of the above-named Directors are set out in the section entitled Profiles of the Board of Directors on pages 72 to 74 of the 2019 Annual Report.

Their shareholdings in the Company and its related corporations are set out in the section entitled Statement of Directors' Interests on page 103 of the 2019 Annual Report.

Shareholders' Information

As at 30 August 2019

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	:	21,901

ANALYSIS OF SHAREHOLDINGS

Size of holdings	No. of holders	Total holdings	%
1 – 99	3,166	29,273	*
100 – 1,000	4,284	3,201,608	0.05
1,001 – 10,000	10,430	40,547,550	0.65
10,001 – 100,000	3,227	88,065,219	1.40
100,001 – 314,232,198	790	2,608,837,092	41.51
314,232,199 and above	4	3,543,963,253	56.39
Total	**21,901**	**6,284,643,995**	**100.00**

* Negligible

LIST OF TOP 30 SHAREHOLDERS

(without aggregating securities from different securities accounts belonging to the same person)

	Name	No. of shares held	%
1.	Progressive Holdings Sdn Bhd	1,382,166,880	21.99
2.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	765,179,873	12.18
3.	Progressive Holdings Sdn Bhd	753,533,600	11.99
4.	Progressive Holdings Sdn Bhd	643,082,900	10.23
5.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera*	296,619,000	4.72
6.	Kumpulan Wang Persaraan (Diperbadankan)	188,243,900	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.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account – AmBank Islamic Berhad for Progressive Holdings Sdn Bhd*	89,000,000	1.42
10.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia 2 - Wawasan*	84,664,867	1.35
11.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Progressive Holdings Sdn Bhd*	70,000,000	1.11
12.	HSBC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Progressive Holdings Sdn Bhd*	62,000,000	0.99
13.	RHB Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for RHB Securities Singapore Pte. Ltd.*	55,655,500	0.89
14.	Cartaban Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for Standard Chartered Bank Singapore Branch*	54,000,000	0.86
15.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	49,963,590	0.80

LIST OF TOP 30 SHAREHOLDERS (continued)

(without aggregating securities from different securities accounts belonging to the same person)

	Name	No. of shares held	%
16.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Total International Stock Index Fund*	49,666,638	0.79
17.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for Public Ittikal Fund*	47,500,000	0.76
18.	Cartaban Nominees (Tempatan) Sdn Bhd *PAMB for Prulink Equity Fund*	45,854,301	0.73
19.	Cartaban Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for State Street Bank & Trust Company*	38,581,550	0.61
20.	Citigroup Nominees (Tempatan) Sdn Bhd *Great Eastern Life Assurance (Malaysia) Berhad*	36,150,313	0.58
21.	Citigroup Nominees (Asing) Sdn Bhd *Exempt Authorised Nominee for UBS AG Singapore*	36,000,000	0.57
22.	Permodalan Nasional Berhad	34,829,500	0.55
23.	AmanahRaya Trustees Berhad *Amanah Saham Malaysia 3*	32,277,200	0.51
24.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Rickoh Holdings Sdn Bhd*	27,500,000	0.44
25.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera 3 - Didik*	26,702,100	0.42
26.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt Authorised Nominee for AIA Bhd*	24,523,901	0.39
27.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kim Heung*	23,000,000	0.37
28.	AmanahRaya Trustees Berhad *Public Islamic Dividend Fund*	22,762,733	0.36
29.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera 2*	22,624,700	0.36
30.	Cartaban Nominees (Asing) Sdn Bhd *GIC Private Limited for Government of Singapore*	21,823,351	0.34
	Total	**5,203,846,297**	**82.80**

Shareholders' Information
As at 30 August 2019

SUBSTANTIAL SHAREHOLDERS
(Based on the Register of Substantial Shareholders)

	No. of ordinary shares held			
Name of substantial shareholders	Direct	%	Indirect	%
The estate of the late Tan Sri Dato' Lee Shin Cheng	122,601,600	1.95	3,009,602,180*	47.89
Dato' Lee Yeow Chor	9,818,800	0.16	2,999,783,380**	47.73
Lee Yeow Seng	–	–	2,999,783,380**	47.73
Progressive Holdings Sdn Bhd	2,999,783,380	47.73	–	–
Employees Provident Fund Board	784,678,273	12.49	–	–

Notes:

* Deemed interested by virtue of his interest in Progressive Holdings Sdn Bhd ("**PH**") and shares held by his son, Dato' Lee Yeow Chor pursuant to Section 8 of the Companies Act 2016 (the "**Act**").

** Deemed interested by virtue of his interest in PH, 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 **Fiftieth Annual General Meeting** (“**50th AGM**”) of the Company to be held at **Millennium Ballroom 1 (Level 1), Le Méridien Putrajaya, Lebuh IRC, IOI Resort City, 62502 Putrajaya, Malaysia** on **Friday, 25 October 2019** 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.	Resolutions		First Proxy “A”		Second Proxy “B”	
			For	Against	For	Against
1.	To approve the payment of a final single tier dividend	Ordinary Resolution 1				
2.	To re-elect Tan Sri Peter Chin Fah Kui as a Director	Ordinary Resolution 2				
3.	To re-elect Lee Yeow Seng as a Director	Ordinary Resolution 3				
4.	To approve Directors’ fees for the financial year ending 30 June 2020 payable quarterly in arrears	Ordinary Resolution 4				
5.	To approve the payment of Directors’ benefits for the period from 25 October 2019 until the next AGM	Ordinary Resolution 5				
6.	To re-appoint Messrs BDO PLT as Auditors and to authorise the Audit and Risk Management Committee to fix their remuneration	Ordinary Resolution 6				
7.	To approve Datuk Karownakaran @ Karunakaran a/l Ramasamy to continue in office as an Independent Non-Executive Director	Ordinary Resolution 7				
8.	To authorise the Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016	Ordinary Resolution 8				
9.	To approve the proposed renewal of existing share buy-back authority	Ordinary Resolution 9				
10.	To approve the proposed renewal of shareholders’ mandate for recurrent related party transactions	Ordinary Resolution 10				
11.	To approve the proposed gratuity payment to Former Executive Chairman	Ordinary Resolution 11				
12.	To approve the proposed amendments to the Constitution of the Company	Special Resolution				

Dated this ______ day of ____________ 2019

____
Signature of Shareholder/Common Seal

* Delete if inapplicable.

Notes:

1 Items 1 to 11 above are proposed as ordinary resolutions except item 12 as special resolution. For any of the ordinary resolutions listed above to be passed at the 50th AGM, more than half the votes cast must be in favour of the resolutions. Special resolution requires at least three quarter of the votes cast to be in favour.

Voting on all resolutions to be proposed at the 50th AGM will be by way of a poll. The Board believes a poll is more representative of shareholders' voting intentions because shareholders' votes are counted according to the number of shares held.

2 A shareholder may appoint any person to be his proxy and there shall be no restriction as to the qualification of the proxy.

3 An instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

4 Subject to Note 5 below, a shareholder shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. If a shareholder appoints two (2) proxies to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy and only one (1) of those proxies is entitled to vote on show of hands.

5 Where a shareholder of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**") which is exempted from compliance with the provisions of 25A(1) of the SICDA.

6 An instrument appointing a proxy may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument.

7 An instrument appointing a proxy must be deposited at **Boardroom Corporate Services Sdn Bhd**, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding the 50th AGM or any adjournment thereof.

8 Only shareholders whose names appear in the Record of Depositors as at **18 October 2019** shall be eligible to attend the 50th AGM or appoint proxy to attend and vote on his behalf.

9 Any corporation which is a shareholder can appoint one 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 50th AGM (including any adjournment thereof).

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STAMP

THE ADMINISTRATION AND POLLING AGENT
IOI CORPORATION BERHAD

Boardroom Corporate Services Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

2nd fold here

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