



ANNUAL REPORT 2016
NEGERI SEMBILAN OIL PALMS BERHAD
(Company No. 592-D) (Incorporated in Malaysia)

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FINANCIAL HIGHLIGHTS AND FINANCIAL CALENDAR

FINANCIAL HIGHLIGHTS - GROUP

	2016 RM'000	2015 RM'000
Revenue	84,682	84,894
Profit before tax	15,389	6,902
Income tax expense	(4,355)	(785)
Profit net of tax	11,034	6,117
Profit net of tax attributable to owners of the Company	8,671	5,261
Profit net of tax attributable to non-controlling interests	2,363	856
Dividends	4,212	4,212
Issued and paid-up share capital	70,202	70,202
Equity attributable to owners of the Company	588,524	549,833
Earnings per stock unit		
- Basic	12.35 sen	7.49 sen
- Diluted	12.35 sen	7.49 sen
Dividends		
- First interim dividend	3% single tier	3% single tier
- Second interim dividend	3% single tier	3% single tier
Dividend cover (times)	2.06	1.25
Net assets per stock unit attributable to owners of the Company	RM8.38	RM7.83

FINANCIAL CALENDAR

Financial year	1 January 2016 to 31 December 2016
Announcement of results	
First financial quarter ended 31 March 2016	26 May 2016
Second financial quarter ended 30 June 2016	25 August 2016
Third financial quarter ended 30 September 2016	24 November 2016
Fourth financial quarter ended 31 December 2016	28 February 2017
Dividends payment	
First interim	30 June 2016
Second interim	30 December 2016
Despatch of 2016 Annual Report	28 April 2017
Eighty Fifth Annual General Meeting	30 May 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighty Fifth Annual General Meeting of the Company will be held at the Conference Room, Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Tuesday, 30 May 2017 at 10.30 am for the following purposes:-

1. To receive the Directors' Report and the Financial Statements for the financial year ended 31 December 2016 and the Independent Auditors' Report thereon. (Resolution 1)
2. To approve the directors' fees for the financial year ended 31 December 2016 and to authorise the directors to divide such fees in the proportions and manner to be determined by them. (Resolution 2)
3. To re-elect the following directors retiring under Article 94 of the Constitution of the Company:-
 - (i) Mr Sio Sit Po (Resolution 3)
 - (ii) Mr Gho Eng Liong (Resolution 4)
4. To re-elect the following director retiring under Article 97 of the Constitution of the Company:-
 - (i) Mr Goh Chih Yuan (Wu Zhiyuan) (Resolution 5)
5. To re-appoint the following directors:-
 - (i) Dato' Ong Bok Lim (Resolution 6)
 - (ii) Mr Goh Pock Ai (Resolution 7)
 - (iii) Mr Keong Choon Keat (Resolution 8)
6. To re-appoint auditors and authorise the directors to fix their remuneration. (Resolution 9)
7. As special business, to consider and if thought fit, pass the following resolutions: -
 - 6.1 Proposed renewal of shareholders' mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with a related party (Resolution 10)
 - 6.2 To retain the following directors as Independent Non-Executive Directors of the Company: -
 - (i) Mr Sio Sit Po (Resolution 11)
 - (ii) Dato' Ong Bok Lim (Resolution 12)
 - (iii) Mr Keong Choon Keat (Resolution 13)
 - 6.3 Proposed retirement gratuity payment to Mr Goh Eng Chew, former Executive Chairman of the Company. (Resolution 14)
8. To transact any other ordinary business of the Company of which proper notice shall have been given to the Company.

By Order of the Board

Gan Kok Tiong
Company Secretary

Kuala Lumpur
28 April 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. A depositor shall not be regarded as a member entitled to attend this Meeting and to speak and vote thereat unless his/her name appears in the Record of Depositors as at 23 May 2017 issued by Bursa Malaysia Depository Sdn Bhd ('Bursa Depository') upon request by the Company in accordance with the rules of Bursa Depository.
 2. A member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
 3. If the member is a corporation, the Form of Proxy must be executed under its common seal or under the hand of a person duly authorised in writing.
 4. The Form of Proxy must be deposited at the Registered Office, Suite 2B-3A-2, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than 24 hours before the time fixed for the Meeting or any adjournment thereof.
 5. For Items 6.1 and 6.3, further information are set out in the Circular to Shareholders dated 28 April 2017.
 6. For items 3, 4, 5 and 6.2, further information are set out in Statement Accompanying Notice of Annual General Meeting.
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STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Further details of directors who are standing for re-election and appointment at the Eighty Fifth Annual General Meeting:-

- (a) Mr Sio Sit Po - Retiring pursuant to Article 94 of the Constitution of the Company
Refer to page 6 for further details and pages 104 and 105 for his shareholdings in the Company and the subsidiaries.
- (b) Mr Gho Eng Liong - Retiring pursuant to Article 94 of the Constitution of the Company
Refer to page 7 for further details and pages 104 and 105 for his shareholdings in the Company and the subsidiaries.
- (c) Mr Goh Chih Yuan (Wu Zhiyuan) - Retiring pursuant to Article 97 of the Constitution of the Company
Refer to page 8 for further details and pages 104 and 105 for his shareholdings in the Company and the subsidiaries.
- (d) Dato' Ong Bok Lim - Re-appointed in the previous Annual General Meeting held on 27 May 2016 as Director under Section 129 of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the Eighty Fifth Annual General Meeting.
Refer to page 6 for further details and pages 104 and 105 for his shareholdings in the Company and the subsidiaries.
- (e) Mr Goh Pock Ai - Re-appointed in the previous Annual General Meeting held on 27 May 2016 as Director under Section 129 of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the Eighty Fifth Annual General Meeting.
Refer to page 6 for further details and pages 104 and 105 for his shareholdings in the Company and the subsidiaries.
- (f) Mr Keong Choon Keat - Re-appointed in the previous Annual General Meeting held on 27 May 2016 as Director under Section 129 of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the Eighty Fifth Annual General Meeting.
Refer to page 7 for further details and pages 104 and 105 for his shareholdings in the Company and the subsidiaries.

At the annual general meeting ('AGM') held on 27 May 2016, the Company had obtained the respective approval of shareholders to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat (who have served as Independent Directors of the Company for more than nine years), on the Board as Independent Non-Executive Directors and to hold office until the conclusion of the Eighty Fifth AGM. The Board would like to continue to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat on the Board as Independent Non-Executive Directors and to hold office for another one year term with effect from the passing of the resolutions proposed at the Eighty Fifth AGM until the conclusion of the next AGM in 2018. The Nomination Committee and the Board have determined that Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat remain objective and independent-minded in Board deliberations. Their vast experience enable them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interests of the Company. Additionally, they fulfil the definition of independent directors of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

CORPORATE INFORMATION

BOARD OF DIRECTORS
(With Effect from 1.1.2017)

Executive Chairman (Non-Independent)	Goh Wei Lei
Senior Executive Director (Non-Independent)	Goh Pock Ai
Independent Non-Executive Directors	Sio Sit Po Dato' Ong Bok Lim Keong Choon Keat Gho Eng Liong
Non-Independent Non-Executive Directors	Goh Yeok Beng Gho Lian Chin Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong Goh Chih Yuan (Wu Zhiyuan)
Alternate Director	Gho Bun Tjin (alternate to Gho Lian Chin)

AUDIT COMMITTEE

Chairman	Keong Choon Keat
Members	Dato' Ong Bok Lim Sio Sit Po

NOMINATION COMMITTEE & REMUNERATION COMMITTEE

Chairman	Gho Lian Chin
Members	Dato' Ong Bok Lim Keong Choon Keat Gho Eng Liong

COMPANY SECRETARY

Gan Kok Tiong B.Commerce (Accounting)(Hons.), CA(M), CPA

REGISTERED OFFICE

Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Telephone: 03-2261 4633
Fax: 03-2261 4733

AUDITORS

Ernst & Young
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

SHARE REGISTRAR AND MANAGING AGENT

Sin Thye Management Sdn Bhd
Suite 2B-3A-2
Block 2B, Level 3A, Plaza Sentral
Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Telephone: 03-2261 4633
Fax: 03-2261 4733

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

WEBSITE

www.nsop.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

PROFILE OF DIRECTORS

Goh Wei Lei (Executive Chairman)

Singaporean, male, aged 48

He was first appointed as an alternate director on 29 March 1994. He ceased as alternate director on 12 March 1996 and was appointed as a director on that date. He served as Executive Director on 1 June 2008 and was re-designated as Executive Vice-Chairman on 1 July 2015 and as Executive Chairman on 1 January 2017. Holds a Bachelor of Science from the Oregon State University, USA. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he heads the Board are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad and Timor Oil Palm Plantation Berhad. He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 109 of the Annual Report. He has had no convictions for any offences within the past five years. He is the brother of Goh Chih Yuan (Wu Zhiyuan).

Number of Board meetings attended during the financial year ended 31 December 2016: 5 out of 5

Goh Pock Ai (Senior Executive Director)

Singaporean, male, aged 76

Appointed to the Board on 15 May 1971. He later served as Senior Executive Director from 1 June 2008. He has vast experience and extensive knowledge in oil palm plantation and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad and Timor Oil Palm Plantation Berhad. He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 109 of the Annual Report. He has had no convictions for any offences within the past five years. He is the brother of Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong.

Number of Board meetings attended during the financial year ended 31 December 2016: 5 out of 5

Sio Sit Po (Independent Non-Executive Director)

Singaporean, male, aged 68

He was first appointed as an alternate director on 16 June 1995 and ceased as alternate director on 10 January 1997. Subsequently, he was appointed as a director on 3 February 1997. He is a member of the Audit Committee. Holds a Bachelor of Science (Hons) from the Nanyang University, Singapore. Worked in a licensed commercial bank listed in Singapore since graduation till 1999. Other public companies in which he is a director are Chin Teck Plantations Berhad and Eng Thye Plantations Berhad. He is deemed interested in certain related party transactions as disclosed on page 109 of the Annual Report. He does not have any family relationship with any director and/or major shareholder of the Company. He has had no convictions for any offences within the past five years.

Number of Board meetings attended during the financial year ended 31 December 2016: 5 out of 5

Dato' Ong Bok Lim (Independent Non-Executive Director)

Malaysian, male, aged 79

Appointed to the Board on 31 May 1997. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He has vast experience and knowledge in the oil palm plantation industry. He is also a director of Eng Thye Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past five years.

Number of Board meetings attended during the financial year ended 31 December 2016: 4 out of 5

PROFILE OF DIRECTORS

Keong Choon Keat (Independent Non-Executive Director)

Malaysian, male, aged 72

Appointed to the Board on 21 May 2001. He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales. Attached to Bristol Myers & Company Ltd, England as an Accountant in 1968 and left to join Malaysian Tobacco Company Bhd as an Accountant in 1969. From 1974 to 1999, he was attached to UMW Holdings Bhd where he held various management positions from General Manager to Director, Group Accounts before being promoted to the position of an Executive Director in 1988. Upon retirement in 1999, he joined a consultancy firm providing outplacement and career management consultancy services in Malaysia. Other public companies in which he is a director are Chin Teck Plantations Berhad, Crest Builder Holdings Berhad and Liberty Insurance Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past five years.

Number of Board meetings attended during the financial year ended 31 December 2016: 5 out of 5

Gho Eng Liong (Independent Non-Executive Director)

Malaysian, male, aged 57

Appointed to the Board on 25 November 2011. He is a member of the Nomination Committee and Remuneration Committee. Holds a Bachelor of Science, Mechanical Engineering, from The Pennsylvania State University, State College, Pennsylvania, USA. Since graduation, he worked as Project Development Engineer with National Iron & Steel Mills, Singapore, as Section Head, Mechanical Maintenance with Matsushita Denshi, Singapore, as Manufacturing Engineer with General Motors, Singapore, as Packaging Development Engineer with AT&T Microelectronics, Singapore and as Sales Manager with Kestronics (S) Pte Ltd. Presently, he is managing his own business. Other public companies in which he is a director are Eng Thye Plantations Berhad and Chin Teck Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past five years.

Number of Board meetings attended during the financial year ended 31 December 2016: 5 out of 5

Goh Yeok Beng (Non-Independent Non-Executive Director)

Singaporean, male, aged 68

Appointed to the Board on 4 August 1982. He has vast experience and extensive knowledge in the oil palm and rubber plantation industries. Other public companies in which he is a director are Chin Teck Plantations Berhad and Timor Oil Palm Plantation Berhad (Executive Director). He is deemed interested in certain related party transactions as disclosed on page 109 of the Annual Report. He has had no convictions for any offences within the past five years.

Number of Board meetings attended during the financial year ended 31 December 2016: 5 out of 5

Gho Lian Chin (Non-Independent Non-Executive Director)

Singaporean, male, aged 69

Appointed to the Board on 13 July 1995. Holds a Bachelor of Science from the University of Melbourne, Australia. He is the Chairman of the Nomination Committee and Remuneration Committee. He worked in a licensed commercial bank listed in Singapore as its representative in a foreign country. Subsequently, he was engaged to manage the property division of the bank. He was also formerly a director of a licensed finance company and a real estate company both of which were listed in Singapore. He has extensive experience and knowledge in the oil palm and rubber plantations and property development. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad, and Timor Oil Palm Plantation Berhad. He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 109 of the Annual Report. He has had no convictions for any offences within the past five years. He is the brother of Gho Bun Tjin.

Number of Board meetings attended during the financial year ended 31 December 2016: 5 out of 5

PROFILE OF DIRECTORS

Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong (Non-Independent Non-Executive Director)

Singaporean, male, aged 70

He was first appointed as an alternate director on 22 April 1978. He ceased as alternate director on 29 December 1994 and was appointed as a director on that date. He later resigned as director on 29 February 1996. Subsequently, he was appointed as a director on 28 February 2006. Holds a Bachelor of Business from South Australian Institute of Technology. He has vast experience and extensive knowledge in banking and finance. Attached to DBS Bank Ltd as Senior Officer from 1973 to 1974 and left to join Tat Lee Bank Ltd from 1974 to 1998, during which time he held various positions; credit officer, sub-manager, manager, senior manager, executive director, deputy president and president (from 1995 to 1998). Other public companies in which he is a director are Chin Teck Plantations Berhad and Timor Oil Palm Plantation Berhad (alternate director). He is also a director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 109 of the Annual Report. He has had no convictions for any offences within the past five years. He is the brother of Goh Pock Ai.

Number of Board meetings attended during the financial year ended 31 December 2016: 5 out of 5

Goh Chih Yuan (Wu Zhiyuan) (Non-Independent Non-Executive Director)

Singaporean, male, aged 42

Appointed to the Board on 1 January 2017. Holds a Bachelor of Science, Business Administration from Boston University USA. Worked with Bank of Singapore for 15 years with last position held as Executive Director. Presently, an Executive Director of Sin Thye Management Sdn Bhd, an associate of the Company. Other public companies in which he is a director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad and Timor Oil Palm Plantation Berhad. He is deemed interested in certain related party transactions as disclosed on page 109 of the Annual Report. He has had no convictions for any offences within the past five years. He is the brother of Goh Wei Lei.

Number of Board meetings attended during the financial year ended 31 December 2016: N/A - Appointed to the Board with effect from 1 January 2017.

Gho Bun Tjin (alternate to Gho Lian Chin)

Singaporean, male, aged 67

He was first appointed as an alternate director on 29 June 1979 and ceased as alternate director on 21 June 1995. Subsequently, he was appointed as alternate director of Gho Lian Chin on 8 September 1995. Holds a Bachelor of Science from the University of Waterloo, Canada. He worked for a short period in a licensed commercial bank listed in Singapore. He is now working in a commercial company overseeing the general management. Other public companies in which he is an alternate director are Chin Teck Plantations Berhad, Eng Thye Plantations Berhad and Timor Oil Palm Plantation Berhad. He is also an alternate director of Tiong Thye Company Sdn Bhd, the major shareholder of the Company. He is deemed interested in certain related party transactions as disclosed on page 109 of the Annual Report. He has had no convictions for any offences within the past five years. He is the brother of Gho Lian Chin.

PROFILE OF KEY SENIOR MANAGEMENT

Goh Wei Lei

Executive Chairman, Singaporean, male, aged 48
Please refer to page 6 for his profile.

Goh Pock Ai

Senior Executive Director, Singaporean, male, aged 76
Please refer to page 6 for his profile.

Ng Yeen Chern

Chief Operating Officer, Singaporean, male, aged 42
Date of appointment as key senior management: 1 December 2016

Qualification:

B.A. (Hons), National University of Singapore

Certificate in Financial Management, University of Melbourne

Intensive Diploma in Oil Palm Management and Technology, Malaysian Palm Oil Board

Working experience:

7 years in a non-profit organisation with last position held as Senior Manager.

3 years in a property development company with last position held as Finance Manager cum Business Development Manager.

2 years in a trading and chemical company with last position held as Manager

He does not hold any directorship in public companies. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past five years.

Gan Kok Tiong

Chief Financial Officer cum Company Secretary, Malaysian, male, aged 57
Date of re-designation as key senior management: 1 December 2016

Qualification:

Member of Malaysian Institute of Accountants

Member of Malaysian Institute of Certified Public Accountants

B.Commerce (Accounting) (Hons.)

Working experience:

Attached to an auditing firm for several years and left to join a merchant bank and a public listed company for a short period of time.

Joined the Company in 1994 holding various positions from Accountant cum Company Secretary to Financial Controller cum Company Secretary before being re-designated as Chief Financial Officer cum Company Secretary.

He is a director of Timor Oil Palm Plantations Berhad. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past five years.

Chua Kok Siang

Chief Administrator, Malaysian, male, aged 68
Date of appointment as key senior management: 1 December 2016

Qualification:

The Royal Society of Health Diploma for Public Health Inspector Malaysia

Working experience:

Attached to Majlis Daerah Kota Tinggi, Johor from 1967 to 2003 with last position held as Senior Public Health Inspector.

Joined as Secretary in a company related to a major shareholder of the Company from 2004 to 2005 and left to join the Company as an Estate Manager of the Company from 2006 to 2010.

He does not hold any directorship in public companies. He does not have any family relationship with any director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for any offences within the past five years.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Company, I am pleased to present my first Annual Report, as the Executive Chairman of the Company, to our shareholders, for the financial year ended 31 December 2016.

Changes to the Board

Mr Goh Eng Chew, retired from his position as Executive Chairman of the Company with effect from 1 January 2017. He was appointed to the Board on 17 July 1968. He served as Chairman from 17 December 1994. He was appointed as the Executive Chairman on 20 December 2000.

I have been re-designated as the Executive Chairman with effect from 1 January 2017.

Mr Wong Aun Phui, retired from his position as Executive Director of the Company with effect from 24 November 2016. He was appointed to the Board on 15 July 1968.

On behalf of the Board, I would like to record our appreciation to Mr Goh and Mr Wong for their long years of service and contribution to the Group.

Mr Goh Chih Yuan (Wu Zhiyuan) was appointed as a director of the Company with effect from 1 January 2017.

The changes to the Board is in line with the Board's succession planning process.

Performance

During the financial year under review, the production of ffb, crude palm oil and palm kernel were adversely affected by the El Nino weather phenomenon as well as replanting activities. The average selling prices of ffb, crude palm oil and palm kernel increased.

For the financial year under review, revenue of the Group decreased marginally by 0.25% to RM84,682,524 from RM84,893,912 a year ago. Group profit before tax increased to RM15,388,719 from RM6,901,560 while profit after tax increased to RM11,034,016 from RM6,116,900.

Earnings per stock unit improved to 12.35 sen from 7.49 sen and net assets per stock unit improved to RM8.38 from RM7.83.

The freehold and leasehold lands and biological assets of the Group were revalued. As at 31 December 2016, the fair value of the freehold and leasehold lands increased to RM467,900,000 as compared with RM428,700,000 a year ago while the fair value of the biological assets of the Group increased to RM55,800,000 from RM40,000,000 a year ago.

The Group continued to be burdened with its share of losses of its investment in a joint venture, Chin Thye Investment Pte Ltd, a joint venture on oil palm plantation located in South Sumatera Province, Indonesia. The management of the joint venture is monitoring the situation and working closely with the relevant authorities to commence harvesting without facing resistance from the villagers neighbouring the estate.

Dividends

In FY2016, the Company paid a total single tier dividend of 6%, comprising a first interim single tier dividend of 3% and a second interim single tier dividend of 3%, for a total amount of RM4,212,118, which was similar to that in FY2015.

In view of the payment of the interim dividends, the Board do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2016.

CHAIRMAN'S STATEMENT

Recurrent related party transactions

The Company proposes to seek the approval of shareholders for the proposed renewal of the shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature with a related party at the forthcoming Annual General Meeting. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed renewal of shareholders' mandate and to seek the approval for the ordinary resolution pertaining to the proposed renewal of shareholders' mandate is prepared and despatched.

Proposed retirement gratuity payment to Mr Goh Eng Chew, former Executive Chairman of the Company

The Company intends to seek the approval of shareholders at the forthcoming Annual General Meeting for the proposed retirement gratuity payment to Mr Goh Eng Chew, former Executive Chairman of the Company in recognition of his services and contribution to the Company. A separate Circular to Shareholders, the purpose of which is to provide information on the proposed retirement gratuity payment is prepared and despatched.

Outlook

Volatility in selling prices of crude palm oil in the commodity market is always a factor that impact financial performance.

The local production and inventory of palm oil are expected to recover due to easing in tightness of supply, hence, prices of palm oil could be on a downtrend. Furthermore, price of soybean, palm oil's main rival has declined since its recent peak as a bumper crop of soybean is predicted.

The passing of a non-binding resolution by the European Parliament to urge the European Commission to phase out the use of vegetable oils including palm oil for bio-fuels by 2020 is a negative development which would undermine palm oil price.

However, the prices of crude palm oil have remained at reasonable level when compared with the average selling prices for 2016.

The financial results of the Group for the financial year 2017 would be impacted by the crude palm oil price trend.

Appreciation

On behalf of the Board of Directors, I would like to thank the management and staff for their diligence, commitment and untiring efforts. Our suppliers and customers also deserve our thanks for their understanding and support. Lastly, I would like to thank our shareholders for their support, patience and confidence in us..

Goh Wei Lei
Executive Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

Description of business

Negri Sembilan Oil Palms Berhad ('Company') was incorporated on 30 March 1928.

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding.

The subsidiaries of the Company are Eng Thye Plantations Berhad (83.3% owned) and Timor Oil Palm Plantation Berhad (58.0% owned). The principal activities of the subsidiaries are the cultivation of oil palms and production and sale of crude palm oil and palm kernel and investment holding.

The Group currently has four estates, namely, Ladang Senama, Ladang Ibam, Ladang Gula and Ladang Maran with a total land bank of approximately 7,682 hectares.

The Group also owns two mills with a total milling capacity of 40 m/t per hour.

Through a joint venture, Chin Thye Investment Pte Ltd, the Group also has interest in an oil palm plantation in South Sumatera Province, Indonesia.

Group financial review

Revenue of the Group for FY2016 decreased marginally by 0.25% to RM84,682,524 from RM84,893,912 a year ago. This was mainly due to decreases in the sales volume of ffb, crude palm oil and palm kernel due to lower production and purchase of fresh fruit bunches even though the average selling prices increased significantly.

Average selling prices per m/t:-

	FY2016	FY2015	+/-
	RM	RM	%
Fresh fruit bunches	593	449	+ 32.07
Crude palm oil	2,537	2,167	+ 17.07
Palm kernel	2,264	1,573	+ 43.93

Approximately 93.16% (2015: 81.68%) of the revenue of the Group were sales to five (2015: four) major customers of which 24.64% (2015: 22.17%) was sales to a related corporation of which certain directors and substantial shareholders have interests. These are creditworthy customers with good payment records with the Group.

Profit before tax of the Group for FY2016 increased by 122.97% to RM15,388,719 from RM6,901,560 a year ago.

The profit before tax of the Group is analysed as follows:-

	FY2016	FY2015
	RM	RM
Profit/(loss) from plantation operation	14,246,046	(1,431,140)
Interest income	2,976,756	2,492,667
Dividend income	2,839,666	2,822,082
Other income	615,628	3,620,288
Other expenses	(3,243,677)	-
Share of results of associates	1,669,814	1,153,324
Share of results of a joint venture	(3,715,514)	(1,755,661)
Profit before tax	<u>15,388,719</u>	<u>6,901,560</u>

During FY2016 favourable fair value adjustment of biological assets increased to RM15,800,000 from RM1,600,000 and an amount of RM3,113,877 was provided for impairment loss on investment in a joint venture, Chin Thye Investment Pte Ltd, a joint venture on oil palm plantation located in South Sumatera Province, Indonesia.

MANAGEMENT'S DISCUSSION AND ANALYSIS**Group financial review (cont'd.)**

Excluding the fair value adjustment of biological assets and provision for impairment loss on investment in a joint venture, the profit before tax of the Group is analysed as follows:-

	FY2016 RM	FY2015 RM
Loss from plantation operation	(1,553,954)	(3,031,140)
Interest income	2,976,756	2,492,667
Dividend income	2,839,666	2,822,082
Other income	615,628	3,620,288
Other expenses	(129,800)	-
Share of results of associates	1,669,814	1,153,324
Share of results of a joint venture	(3,715,514)	(1,755,661)
Profit before tax	<u>2,702,596</u>	<u>5,301,560</u>

Loss from plantation operation decreased to RM1,553,954 from RM3,031,140 due mainly to a decrease in overall expenses. The decrease in overall expenses was mainly due to lower administrative expenses. .

The associates contributed RM1,669,814 to the profit before tax of the Group. The material associate, Huay Guan Investment Pte Ltd, which is engaged in trading in stocks and shares contributed RM1,640,229 and other individually immaterial associates contributed an aggregate of RM29,585.

The Group suffered a higher amount of loss from its share of results of a joint venture, Chin Thye Investment Pte Ltd, mainly due to a decrease in the fair value of the biological assets of the joint venture.

Overall, profit net of tax the Group increased to RM11,034,016 from RM6,116,900. However, excluding the changes in fair value of biological assets and provision for impairment loss on investment in a joint venture, profit after tax of the Group decreased to RM2,139,893 from RM4,900,900.

Overall, earnings per stock unit attributable to shareholders of the Company increased to 12.35 sen from 7.49 sen.

Property, plant and equipment increased to RM481,958,342 from RM443,725,072 mainly due to the incorporation of an amount of RM42,570,000 being the revaluation surplus arising from the revaluation of the freehold and leasehold lands of the Group. The fair value of freehold and leasehold lands as at 31 December 2016 are RM467,900,000 as compared with RM428,700,000 a year ago.

Investment securities increased to RM74,090,236 from RM69,297,714. The increase mainly consists of gain on fair value changes of RM3,409,208 and purchase of RM1,772,444.

Approximately 40% (2015: 26%) of the trade receivables of the Group as at end of the financial year was receivable due from a related corporation of which certain directors and substantial shareholders have interests and payments were received subsequent to the end of the financial year.

Cash and bank balances increased to RM120,095,469 from RM117,122,167:- .

	RM
Cash and bank balances at beginning of the year	117,122,167
Increase in cash and bank balances due to:-	
Cash flows generated from operating activities	5,581,964
Cash flows generated from investing activities	1,672,360
Cash flows used in financing activities	(4,880,122)
Net increase in cash and bank balances	<u>2,374,202</u>
Effect of exchange rate changes on cash and bank balances	599,100
Cash and bank balances at end of the year	<u>120,095,469</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group financial review (cont'd.)

The Group did not have any borrowings in the FY2016 and its strategy in the current financial year, which was unchanged from previous financial year, was to maintain a debt free capital structure and to pay steady amount of dividends to shareholders.

In FY2016, the Company paid a total single tier dividend of 6%, comprising a first interim single tier dividend of 3% and a second interim single tier dividend of 3%, for a total amount of RM4,212,118, which was similar to that in FY2015.

Equity attributable to shareholders of the Company increased by 7.04% to RM588,523,512 from RM549,833,623 mainly due to an increase in fair value of freehold and leasehold land. Correspondingly, net assets per stock unit attributable to shareholders of the Company increased to RM8.38 from RM7.83.

The market capitalisation as at end of FY2016 was RM282,211,887 (FY2015: RM279,403,809).

Operational review

Total average planted area:-

	FY2016		FY2015	
	Hectares	%	Hectares	%
Mature area				
Age in years				
Above 25	1,126	15.70	1,333	18.58
21 - 25	752	10.48	561	7.82
16 - 20	1,246	17.37	1,610	22.45
11 - 15	999	13.93	999	13.93
6 - 10	776	10.82	331	4.61
Below 6	820	11.43	1,014	14.14
	<u>5,719</u>	<u>79.73</u>	<u>5,848</u>	<u>81.53</u>
Immature area	<u>1,454</u>	<u>20.27</u>	<u>1,325</u>	<u>18.47</u>
	<u>7,173</u>	<u>100.00</u>	<u>7,173</u>	<u>100.00</u>

During the FY2016, an additional 361 hectares of old and low yield palms were replanted. Replanting of approximately 587 hectares of old and low yield palms will take place during the FY2017.

The Group has a replanting schedule covering a period of ten years and this schedule is reviewed quarterly which will ensure progressive replanting on a yearly basis. At each review, prevailing conditions and circumstances are taken into consideration to determine the replanting programme.

The Group has also taken measures to plant better yielding seedlings during its replanting programme.

Production of ffb decreased by 21.63% to 89,779 m/t from 114,552 m/t. Purchases of ffb also decreased by 16.24% to 47,638 m/t from 56,874 m/t. Correspondingly, production of crude palm oil decreased by 22.52% to 18,825 m/t from 24,296 m/t and production of palm kernel decreased by 23.48% to 5,195 m/t from 6,789 m/t. .

The decrease in the production of ffb was mainly due to the El Nino weather phenomenon and the replanting activities.

Annual ffb yield per hectare during FY2016 was 15.70 m/t. (FY2015: 19.59 m/t). The mills processed 100,760 m/t of ffb during the FY2016. The overall average oil and kernel extraction rates of the mills are 18.68% and 5.16% respectively.

Good agriculture and milling practices are constantly being implemented with the aim to improve productivity and efficiency.

In an effort to optimise the utilisation of land, the Group is studying the possibility and feasibility of planting other cash-crops in areas that are not suitable for planting of oil palms.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Joint venture on oil palm plantation in Indonesia

As reported previously, harvesting of newly mature fields in the oil palm plantation of the joint venture located in South Sumatera Province, Indonesia has been delayed due to unrest in the villages neighbouring the estate. Commencement of harvesting is pending clearance by the relevant authorities. This has resulted in the joint venture suffering losses. In view of this situation, the Group has provided for impairment in its investment in the joint venture amounting to RM3,113,877 for the current financial year under review.

Significant challenges faced by the Group

The revenue and earnings are impacted by the production of ffb and volatility of the selling prices of ffb, crude palm oil and palm kernel.

Price volatility arises from fluctuation in the prices of ffb, crude palm oil and palm kernel in the commodity market.

The Group manages and mitigates price volatility by monitoring the fluctuation of crude palm oil and palm kernel prices daily and enter into physical forward selling commodity contracts. The Group does not enter into commodity future contracts.

The production of ffb depends on weather conditions, production cycle of the palms and the age of the palms. Extraction rate of crude palm oil and palm kernel is also partly dependent on climatic and weather conditions.

Prolonged dry weather contributed to poorer ffb yields and affected other plantation operations. Implementation of good agriculture practices, including soil and water conservation, mitigated the effects of low moisture availability to some extent.

Tight supply of human resources in Malaysia is another challenge faced by the Group. The Group has implemented competitive incentives and improved welfare to attract and retain human resources. The Group has diversified its sources of labour. At the same time, efforts are also being made to improve productivity, which also partially mitigate the increasing cost of human resources.

The Group continued to be burdened with its share of losses from its investment in a joint venture, Chin Thye Investment Pte Ltd, a joint venture on oil palm plantation located in South Sumatera Province, Indonesia. The management of the joint venture is monitoring the situation and working closely with the relevant authorities to enable harvesting while minimising disruption from the villagers neighbouring the estate.

Outlook

The local production of palm oil is expected to recover from the El Nino weather phenomenon and palm oil inventory is expected to rise with the resultant impact of a downtrend in palm oil prices.

Price of soybean, palm oil's main rival had declined since its recent peak as a bumper crop of soybean is predicted.

The passing of a non-binding resolution by the European Parliament to urge the European Commission to phase out the use of vegetable oils including palm oil for bio-fuels by 2020 is a negative development which would undermine palm oil price.

Palm oil is widely available and affordable and it is one of the vital oils in meeting the world's dietary. Besides its nutritional values, palm oil also has vast potential as a renewable energy source. Hence, the long term prospects of palm oil is promising as there is rising global demand for palm products.

The financial results of the Group would be impacted by the crude palm oil price trend and demand for palm products.

The Board has always been mindful of its responsibility to enhance shareholder value and will use its best endeavours to ensure a steady dividend payment although the actual amount and timing of dividend payment would depend on the Group's financial performance.

STATEMENT ON CORPORATE GOVERNANCE

The Board recognises that good corporate governance is fundamental to a well-managed organisation and to its continued success.

The Board is mindful of the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (MCCG 2012). The Board will continuously evaluate the status of the corporate governance practices and procedures of the Group with a view to adopt and implement the principles and recommendations as set out in MCCG 2012 wherever applicable in the best interests of the shareholders of the Company.

The Board considers that it has generally applied the principles and recommendation of the MCCG 2012 to the extent described in this statement.

1. Board of Directors

Board Responsibilities

The Board focuses mainly on strategies, performance and critical business issues and is primarily responsible for the following: -

- Strategic plans
- Conduct of the business
- Principal risks identification and their management
- Succession planning for senior management
- Shareholders communication policy
- Group's internal control system and management information system

Board Charter

The Board retains full and effective control of the Company and is responsible for the overall performance of the Group and of the Company.

The Board has formulated and adopted a charter ('Board Charter') which sets out its functions, inter-alia, the duties and responsibilities of the Board and the Management. The Board Charter also provides guidance for Directors and the Management. The Board Charter is reviewed annually to ensure its relevance and compliance and is accessible through the Company's website.

Composition of the Board

The Board currently consists of ten directors: -

- An Executive Chairman
- An Executive Director
- Four Independent Non-Executive Directors
- Four Non-Independent Non-Executive Directors

There is an alternate director on the Board.

The composition of the Board provides an effective Board with a mix of business experience, general management and accounting and finance.

The Board complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that requires at least two directors or one third of the Board, whichever is higher, to be independent directors.

The Non-Executive Directors have broad business and commercial experience. The Independent Directors are actively involved in various Board Committees and they provide independent assessment and opinion.

STATEMENT ON CORPORATE GOVERNANCE

1. Board of Directors (cont'd.)

The Executive Chairman is responsible to ensure the effectiveness, conduct, integrity and governance of the Board. Besides, he also ensures orderly conduct and proceedings of the meetings of the Board and shareholders.

The Management is responsible for the overall operational and business management and performance of the Group and for managing and administrating business activities and day-to-day operations of the Group.

The Management is headed by the Executive Chairman. He is entrusted by the Board on the management and operation and provide leadership to the Management and is accountable to the Board.

The Executive Chairman functions both as Chairman of the Board and Executive Director. The Executive Chairman is assisted by an Executive Director and to ensure effective discharge of functions and responsibilities, authorities and discretion are delegated to the Executive Director. They collectively implement the business strategy, operating plan as well as Board policies and decisions besides, they are to ensure effective operation within the Group. The Executive Director briefs the Executive Chairman and the Board on key matters pertaining to the Group.

The Board is mindful of the combined roles and that the majority of the members of the Board are not independent directors. However, the Board is comfortable that there is no undue risk involved as the Executive Director will be informed and consulted before the Executive Chairman makes any significant decision and all major matters and issues are referred to the Board for considerations and approvals. The roles and contributions of Independent Directors also provide an element of objectivity, independent judgment and check and balance on the Board. Furthermore, all related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Besides, the Board believes that the interests of shareholders are best served by the Executive Chairman, who will act in the best interests of the shareholders as a whole since he is representing a major shareholder who has substantial interest in the Company, he is well placed to act on behalf of the shareholders and in their best interests.

The Board acknowledges the importance of board diversity, including gender diversity. The Board believes that for it to function effectively, the requisite skills, experience, knowledge and independence needed is vital, regardless of gender. Therefore, female representation will be considered when vacancies arise and suitable candidates are identified.

On 24 November 2016, the Company announced that:-

- (i) Mr Wong Aun Phui resigned as a director of the Company with effect from 24 November 2016.
- (ii) Mr Goh Eng Chew would resign as a director with effect from 1 January 2017.
- (iii) Mr Goh Wei Lei would be re-designated as Executive Chairman with effect from 1 January 2017.
- (iv) Mr Goh Chih Yuan (Wu Zhiyuan) would be appointed as a director of the Company with effect from 1 January 2017.

This is in line with the Board's succession planning process.

Tenure of Independent Directors

At the annual general meeting ('AGM') held on 27 May 2016, the Company had obtained the respective approval of shareholders to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat (who have served as Independent Directors of the Company for more than nine years), on the Board as Independent Non-Executive Directors and to hold office until the conclusion of the forthcoming AGM. The Board would like to continue to retain Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat on the Board as Independent Non-Executive Directors and to hold office for another one year term with effect from the passing of the resolutions proposed at the forthcoming AGM until the conclusion of the next AGM in 2018. The Nomination Committee and the Board have determined that Mr Sio Sit Po, Dato' Ong Bok Lim and Mr Keong Choon Keat remain objective and independent-minded in Board deliberations. Their vast experience enable them to provide the Board and the various Board Committees on which they serve, with pertinent experience and competence to facilitate sound decision-making and that their length of service does not in any way interfere with their exercise of independent judgment nor hinder their ability to act in the best interests of the Company. Additionally, they fulfil the definition of independent directors of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

STATEMENT ON CORPORATE GOVERNANCE

1. Board of Directors (cont'd.)

Board Meetings

Five meetings of directors were held during the financial year ended 31 December 2016. As required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all directors, in office as at 31 December 2016, had attended at least 50% of the meetings held during the financial year.

The agenda of Board meeting included amongst others, approving the quarterly and annual financial statements for submission to Bursa Malaysia Securities Berhad and the Securities Commission, reports on the performance of the Group which included performance of the estates, financial position of the Group and of the Company, the sales of crude palm oil and palm kernel, the market value of quoted investments and the performance of the investment in a joint venture and related issues, approving budget and capital expenditures, accepting the internal audit report and recommendations and review of recurrent related parties transaction.

Minutes of meetings were prepared by the Company Secretary and confirmed by the Board and signed as a correct record by the Chairman of the succeeding meetings.

Time Commitment

There were five meetings held during the financial year ended 31 December 2016 and the attendances of the directors were as follows: -

Name	Number of meetings attended
Goh Wei Lei	5
Goh Pock Ai	5
Keong Choon Keat	5
Dato' Ong Bok Lim	4
Sio Sit Po	5
Gho Eng Liong	5
Gho Lian Chin	5
Goh Yeok Beng	5
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	5
Goh Chih Yuan (Wu Zhiyuan)	N/A

N/A - Appointed to the Board with effect from 1 January 2017.

Before the beginning of a calendar year, an annual meeting calendar comprising scheduled dates for Board and Board Committees meetings and the Annual General Meeting is circulated to the Directors to facilitate their time management.

Supply of Information

Agenda of Board meeting and relevant information are sent to the directors prior to Board meeting.

The Executive Chairman, Executive Vice-Chairman and the Executive Director(s) report on the matters of the Board meetings. Key management executives are invited to attend the meetings to provide the Board with relevant information.

Directors have access to information within the Group. Any comments and suggestions for improvements are directed to the Executive Chairman, Executive Vice-Chairman and/or Executive Director(s). Directors may also obtain independent professional advice when necessary.

Directors also have direct access to the services of the Company Secretary.

All concerns regarding the Company can be conveyed to any one of the directors. As such, the Board has not appointed a senior Independent Non-Executive Director to whom concerns regarding the Company may be conveyed.

STATEMENT ON CORPORATE GOVERNANCE

1. Board of Directors (cont'd.)

Board Committees

The Board has established Board committees, which operate within the defined terms of reference. These committees are: -

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Report on Audit Committee for the financial year ended 31 December 2016 is set out on pages 27 and 28 of the Annual Report.

Appointments to the Board

The members of the Nomination Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Keong Choon Keat	- Independent Non-Executive Director
	Gho Eng Liong	- Independent Non-Executive Director
	Dato' Ong Bok Lim	- Independent Non-Executive Director

The duties and functions of the Nomination Committee are: -

- To propose new nominees for the Board and Board Committees
 - Recommend to the Board, candidates for directorships to be filled by the shareholders or the Board;
 - Consider, in making its recommendations, candidates for directorships proposed by the executive directors and, within the bounds of practicability, by any other senior executive or any director or shareholder;
 - Recommend to the Board, directors to fill the seats on Board Committees
- to assess directors, including executive directors, on an on-going basis
- to annually review the required mix of skills and experience and core competencies of non-executive directors, effectiveness of the Board as a whole and the Board Committees

The directors have direct access to the services of the Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements in Market Listing Requirements of Bursa Malaysia Securities Berhad and other statutory and regulatory requirements.

A meeting of the Nomination Committee was held during the financial year ended 31 December 2016 to review the required mix of skills, independence and expertise and core competencies of directors, effectiveness of the Board as a whole and the Board Committees.

The Nomination Committee was of the opinion that the Directors have performed their responsibilities and duties satisfactory and that the present structure and composition of the Board and the Board Committees are appropriate and meet the guidelines of Bursa Malaysia Securities Berhad and was of the view that no changes were required.

The Nomination Committee agreed that the Directors meet the criteria of character, experience, integrity, independence, competence and time to effectively discharge their respective roles as directors.

A meeting of the Nomination Committee was held during the financial year ended 31 December 2016 and all members attended the meeting.

STATEMENT ON CORPORATE GOVERNANCE**1. Board of Directors (cont'd.)****Re-election of Directors**

In accordance with the Constitution of the Company, all directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.

The Constitution of the Company provides that one-third of the directors, or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office once at least three years but shall be eligible for re-election.

The Nomination Committee has assessed and the Board has agreed that directors seeking re-election and appointment at the forthcoming annual general meeting meet the criteria of character, experience, integrity, independence, competence and time to effectively discharge their respective roles as directors.

The directors who are seeking re-election and appointment at the forthcoming annual general meeting are disclosed in the Notice of the Annual General Meeting.

Directors' Training

The Board recognises the importance of continuous training for its members. The directors are encouraged to attend various training programmes and seminars.

All the directors and alternate director had successfully attended the Mandatory Accreditation Programme ("MAP").

During the financial year ended 31 December 2016, the directors and alternate director attended the following programmes: -

Name	Programme	Duration
Goh Wei Lei	Managing & Preparing Bursa Sustainability Reports	1/2 day
	Focus Group Series: Corporate Governance Disclosures	1/2 day
Goh Pock Ai	Managing & Preparing Bursa Sustainability Reports	1/2 day
Keong Choon Keat	Focus Group Series: Corporate Governance Disclosures	1/2 day
Sio Sit Po	Managing & Preparing Bursa Sustainability Reports	1/2 day
Dato' Ong Bok Lim	Focus Group Series: Corporate Governance Disclosures	1/2 day
Gho Eng Liong	Managing & Preparing Bursa Sustainability Reports	1/2 day
Goh Yeok Beng	Managing & Preparing Bursa Sustainability Reports	1/2 day
Gho Lian Chin	Managing & Preparing Bursa Sustainability Reports	1/2 day
	Nomination Committee Programme Part 2: Effective Board Evaluations	1 day
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	Managing & Preparing Bursa Sustainability Reports	1/2 day
Gho Bun Tjin	Managing & Preparing Bursa Sustainability Reports	1/2 day

STATEMENT ON CORPORATE GOVERNANCE

2. Directors' Remuneration

It is the policy of the Company that the level of directors' remuneration is sufficient to attract and retain the directors of the calibre needed to run the Group successfully. In the case of Executive Directors, the component parts of the remuneration are structured to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned.

The members of the Remuneration Committee are as follows: -

Chairman	Gho Lian Chin	- Non-Independent Non-Executive Director
Members	Keong Choon Keat	- Independent Non-Executive Director
	Gho Eng Liong	- Independent Non-Executive Director
	Dato' Ong Bok Lim	- Independent Non-Executive Director

The primary duty and responsibility of the Remuneration Committee is to recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors. However, the determination of remuneration packages of directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration.

A meeting of the Remuneration Committee was held during the financial year ended 31 December 2016 and all members attended the meeting.

The shareholders at the annual general meeting approve the annual fees payable to the directors. To commensurate with the increased responsibilities, directors who serve as Chairman and/or members of Board committees are remunerated with additional fees. The basic salary for each Executive Director takes into account the compensation practices of other comparable companies and the performance of each individual director. Salary will be reviewed annually (although not necessary increased). Appropriate adjustments will be made to reflect performance and increased responsibilities. Executive Directors are entitled to commission, which is dependent on the financial performance of the Company based on an established formula.

The details of the total remuneration, on a Group basis, of the Executive Directors and Non-Executive Directors of the Company for the financial year ended 31 December 2016 are as follows:-

	No. of Directors	Fees RM	Salaries RM	Commission RM	Meeting attendance fees RM	Total RM
Executive Directors						
	1	82,000	468,000	37,748	33,000	620,748
	1	58,000	336,000	27,453	33,000	454,453
	1	55,372	280,364	22,319	18,000	376,055
	1	58,000	192,000	14,902	33,000	297,902
	4	253,372	1,276,364	102,422	117,000	1,749,158
Non-Executive Directors						
	1	42,000	144,000	-	24,000	210,000
	1	70,000	-	-	39,000	109,000
	1	60,000	-	-	36,000	96,000
	1	54,000	-	-	39,000	93,000
	1	56,000	-	-	36,000	92,000
	1	48,000	-	-	30,000	78,000
	1	26,000	-	-	15,000	41,000
	7	356,000	144,000	-	219,000	719,000
	11	609,372	1,420,364	102,422	336,000	2,468,158

STATEMENT ON CORPORATE GOVERNANCE

3. Shareholders

Timely and High Quality Disclosures

The Board is committed in ensuring accurate and timely dissemination of information, including corporate announcement and release of quarterly financial results to Bursa Malaysia as well as the despatch of annual reports to shareholders.

Annual General Meeting

The annual general meeting is the principal forum for dialogue with shareholders. Notice of the annual general meeting and the annual report are despatched to shareholders. Notice of the annual general meeting is also published in a leading English newspaper. At the annual general meeting, shareholders have direct access to the Directors and are given the opportunity to ask questions during the question and answer session. Suggestions and comments by shareholders are noted by Directors for consideration. All resolutions tabled at annual general meetings are voted by poll.

Dialogue between the Company and Investors

The annual and quarterly reports and the various mandatory announcements are the primary modes of communication to report on the financial performance and operations and corporate developments of the Group. The annual reports are despatched to shareholders. Shareholders and the members of the public can also obtain information on the annual and quarterly reports and the announcements made by accessing the websites of the Company and Bursa Malaysia Securities Berhad. It is not the practice of the Company to organise briefings sessions or investors forums for analysts and fund managers.

Dividend Payment

The Board is mindful of its responsibility to enhance shareholder value and will use its best endeavours to ensure a steady dividend payment although the actual amount and timing of dividend payment would depend on the financial performance.

4. Accountability and Audit

Financial Reporting

In presenting the annual and quarterly financial statements to shareholders, the directors aim to present a balanced and understandable assessment of the financial position and prospects of the Group. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure.

The statement by directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 39 of the annual report and the statement explaining the directors' responsibility for preparing the annual audited financial statements pursuant to paragraph 15.27 (a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is set out on page 30 of the annual report.

Risk Management and Internal Control

The directors acknowledge their responsibilities for the system of internal control and risk management of the Group, which has been designed to meet the particular needs of the Group. The system of internal control is designed to manage risks to which the business of the Group is exposed rather than eliminate the risk of failure in achieving business objectives.

The directors continue to maintain a sound system of internal control to safeguard shareholders' investment and assets of the Group.

STATEMENT ON CORPORATE GOVERNANCE

4. Accountability and Audit (cont'd.)

Internal Audit

The internal audit function has been outsourced with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

Relationship with the Independent Auditors

The Company has always maintained a formal and transparent relationship with its independent auditors.

The role of the Audit Committee in relation to the independent auditors is set out in the report on audit committee on pages 27 and 28 of the annual report.

5. Code of Conduct

The Board has established a code of business conduct ('Code of Conduct') to be complied with by the directors and members of the management. The Code of Conduct is in addition to any other obligations that are imposed on the directors by any applicable rules, laws and regulations.

The Code of Conduct covers the following:-

- Honesty and integrity
- Compliance with laws
- Conflict of interests
- Confidentiality

The Code of Conduct is reviewed by the Board periodically.

6. Strategies for Sustainability

It is the aspiration of the Board to manage its plantation operations in a socially and environmentally responsible manner.

Sustainable strategies and practices have been outlined for implementation:-

- Zero burning policy
- Effective water management
- Soil enrichment and conservation
- Pest management
- Health and safety at work place
- Human resource development
- Maintaining a debt free capital structure and to pay steady amount of dividends to shareholders

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors has pleasure in presenting the statement on the risk management and internal control of the Group comprising the Company and its subsidiaries.

Responsibility

The Board has overall responsibility for maintaining an effective and sound system of risk management and internal control and for reviewing its adequacy and recognises that there are inherent limitations to any system of risk management and internal control.

The system of risk management and internal control has been designed to meet the particular needs of the Group and to manage risks which the Group is exposed to rather than eliminating the risk of failure in achieving business objectives.

In pursuing these objectives, risk management and internal control can only provide reasonable and not absolute assurance against material misstatement or loss. Furthermore, it should be recognised that the cost of managing risk and control procedures should not outweigh or exceed the expected benefits.

Risk management

Management regularly review, identify, evaluate, monitor and manage the significant risks faced by the Group. In addition, the internal auditors, using a risk-based approach, annually review the operational procedures and processes to ensure the integrity of the management information system.

The Audit Committee chaired by an Independent Non-Executive Director and its members comprising Independent Non-Executive Directors, provide an independent review of the process of the Group for producing financial data, the adequacy, effectiveness and integrity of risk management and the system of internal control.

Significant risks identified for the financial year

- **Commodity Price**

The Group is exposed to price volatility arising from fluctuation in the prices of fresh fruit bunches ('ffb'), crude palm oil and palm kernel in the commodity market.

The Group manages and mitigates price volatility by monitoring the fluctuation of crude palm oil and palm kernel prices daily and enter into physical forward selling commodity contracts.

The Group does not enter into commodity future contracts.

- **Supply and Cost of Human Resources**

The Group faces challenges in the tight supply of human resources in Malaysia. The Group has implemented competitive incentives and improved welfare to attract and retain human resources. The Group has diversified its sources of labour. At the same time, efforts are also being made to improve productivity, which also partially mitigates the increasing cost of human resources.

- **Adverse Weather Conditions**

Prolonged dry weather contributed to poorer ffb yields and affected other plantation operations. Implementation of good agriculture practices, including soil and water conservation, mitigated the effects of low moisture availability to some extent.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Key elements of internal control

- **Organisational structure**

During the financial year under review, the Group is headed by an Executive Chairman and assisted by an Executive Vice-Chairman and two Executive Directors. The Executive Chairman, Executive Vice Chairman and Executive Directors have many years of experience in managing the Group's core business i.e. plantations.

There is an operating structure in place with clearly defined lines of accountability and delegated authority for the estates.

- **Policies manual**

There is a Policy Manual including Authority Limit to serve as guidance for the operations and personnel of the Group to function within the accepted practices of the Group.

- **Audit committee and internal audit**

The Audit Committee was established with a view to assist the Board in discharging its duties. The internal audit function has the primary objective to carry out a review of the internal control system to determine if the accounting and internal control procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee. Internal audit reports prepared by J.S. Lim & Co. chartered accountants (Malaysia) and Lawrence Wong & Co., chartered accountants (Malaysia), are presented to the Audit Committee. The internal audit report summarises the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit report also covers the follow-up by the management on implementation of recommendations in their earlier reports.

- **Financial report**

The Group has in place a reporting mechanism whereby Directors receive financial statements, which contain information on financial performance and plantation statistics.

Periodical meetings of the Board and Audit Committee are held. Quarterly financial results, performance of the estates, financial position of the Group, the market value of its quoted investments, the sales of fresh fruits bunches, crude palm oil and palm kernel, summary of budgets and capital expenditure, plantations statistics and financial performances and developments of the investment in oil palm plantation in Indonesia are presented to the Board at the Board meetings.

- **Estates visits**

Members of management team regularly visit the Group's estates and mills to monitor the state of affairs of the estates and mills. During the visits, the estate managers and mill engineers report on the progress and performance of the respective estates and mills, and discuss and resolve the estates and mills operational and key management issues.

- **Review of recurrent related party transactions**

All recurrent related party transactions are dealt with in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Conclusion

Based on the foregoing as well as the inquiries and information provided, the Board is assured that the risk management process and system of internal control is operating adequately and satisfactory in all material aspects to meet the business objectives of the Group for the financial year under review and up to the date of approval of this statement.

Review of the statement by external auditors

The External Auditors, Messrs. Ernst & Young, have performed limited assurance procedures on the Statement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000, 'Assurance Engagement Other Than Audits or Reviews of Historical Financial Information' and Recommended Practice Guide 5 (Revised 2015), 'Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report'.

Messrs. Ernst & Young have reported to the Board that nothing has come to their attention that causes them to believe that the Statement included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by Paragraph 41 and 42 of Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

REPORT ON AUDIT COMMITTEE

The Board of Directors of Negri Sembilan Oil Palms Berhad is pleased to present the report on the Audit Committee for the financial year ended 31 December 2016.

Members of the Audit Committee

The members of the Audit Committee are as follows: -

Chairman	Keong Choon Keat	- Independent Non-Executive Director
Members	Dato' Ong Bok Lim	- Independent Non-Executive Director
	Sio Sit Po	- Independent Non-Executive Director

The Audit Committee complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad including that all audit committee members must be non-executive directors, with a majority of them being independent directors.

Terms of reference

The Terms of Reference of the Audit Committee can be found at the Company's website.

Meetings

During the financial year ended 31 December 2016, a total of five meetings were held.

The attendance of each member was as follows: -

	<u>Number of meetings attended</u>
Keong Choon Keat	5
Dato' Ong Bok Lim	4
Sio Sit Po	5

Summary of works of the Audit Committee

The Audit Committee had carried out the following works during the financial year ended 31 December 2016 in discharging their duties and responsibilities:-

- (a) Reviewed the quarterly and annual financial statements before recommending the same to the Board for approval for submission to Bursa Malaysia Securities Berhad and the Securities Commission.
- (b) Reviewed the annual audited financial statements before recommending the same to the Board for approval for submission to Bursa Malaysia Securities Berhad and the Securities Commission.
- (c) Reviewed and deliberated the audit report and observations made by the external auditors on the audit of annual financial statements.
- (d) Reviewed and deliberated the annual audit plan prepared by the external auditors on the audit of annual financial statements.
- (e) Considered and recommend to the Board the audit fees proposed by external auditors.
- (f) Considered and recommended to the Board the re-appointment of external auditors.
- (g) Held two private sessions with the external auditors without the presence of the executive directors to discuss any significant matters they wish to raise.
- (h) Reviewed the transactions with related parties as disclosed in the annual financial statements.
- (i) Reviewed and deliberated the internal audit plan prepared by the internal auditors.
- (j) Considered and recommended to the Board the audit fees proposed by the internal auditors.
- (k) Reviewed, deliberated and recommended to the Board to accept the internal audit report prepared by the internal auditors on the internal audit findings and control weakness and their recommendations and management comments and the follow-up by the management on the implementation of their recommendations in their earlier reports.

REPORT ON AUDIT COMMITTEE

Internal audit functions

The internal audit functions have been outsourced to Lawrence Wong & Co., chartered accountants (Malaysia), with the primary objective to carry out reviews of the business processes as well as the internal control systems to determine if the accounting and internal control system procedures have been complied with as well as to identify recommendations to strengthen the accounting and internal control system so as to foster a strong management control environment.

The internal auditors report directly to the Audit Committee.

Summary of works of the Internal Auditors

The Internal Auditors had carried out the following works during the financial year ended 31 December 2016:-

- (a) JS Lim & Co. (the former internal auditors) and Lawrence Wong & Co. attended a meeting of the Audit Committee to present their internal audit reports (for the financial year ended 31 December 2015) for review and deliberation together with the Audit Committee. The internal audit reports summarised the audit approach, scope, significant audit findings, the overall opinion for the internal control review, management comments on the audit findings and recommendations. The internal audit report also covers the follow-up by the management on implementation of recommendations in their earlier reports.
- (b) The internal auditors Lawrence Wong & Co. prepared the internal audit plan for the internal audit for financial year ended 31 December 2016 and attended a meeting of audit committee to present the internal audit plan to the Audit Committee for review and deliberation.
- (c) The internal auditors Lawrence Wong & Co. visited all the estates and the head office to perform internal audit in accordance with the internal audit plan for FY2016.

The total cost of internal audit for the financial year under review amounted to RM81,625.

CORPORATE SOCIAL RESPONSIBILITY

Health and Safety

The Group is committed to provide a safe and healthy working environment for all employees. Health and safety consideration will not be compromised in all processes and activities. Relevant health and safety programmes will be implemented with the ultimate objective of achieving “Zero Accident” at work place. To achieve this objective, the Group has established a Health and Safety Committee which is entrusted with the functions of cultivating safe working practices and behaviour at the work place.

Workers at the work place are provided with safety equipment and working procedures. They are also provided with regular training and briefing on health and safety matters.

Injury investigations are conducted and analysis reports are prepared to determine the root cause for preventing or reducing accidents in the future.

Approved codes of health and safety practices are to be strictly adhered to by all parties concerned.

To further improve safe and healthy working conditions, existing health and safety procedures and measures are regularly being reviewed and additional procedures and measures are being introduced, workers at work place are also regularly being briefed on the importance of health and safety procedures and measures.

Environmental Management

It is the aims of our palm oil mills to adhere to strict compliance with the environmental laws governing mill operations, maintenance and improvements in areas relating to environmental standards, emission standards, noise level management and treatment of effluents and waste disposal.

The chief engineer and visiting engineer review environmental issues and compliance. Appropriate recommendations are made and necessary actions are taken for further improvement in compliance with environmental and related standards.

Human Resource Development

The Group believes that proper training and development programme is necessary in developing and upgrading workers' skills and knowledge to achieve an optimal performance. Workers are encouraged to attend relevant external trainings and seminars. In-house trainings are also conducted for workers.

Recognising the social needs, quarters are provided to staff and workers in the estates. Furthermore, the estates provide facilities to take care of the young children of the workers. Sports facilities such as football fields, badminton courts and table tennis tables, are provided for workers to engage in healthy activities during their free time. The estates also provide transportation for workers' school going children.

To foster a better rapport among the workforce, the estates organise social events on festive and cultural occasions.

Community

Additionally, the Group also makes monetary donations and contributions to charitable organisations from time to time.

**STATEMENT ON DIRECTORS' RESPONSIBILITY
FOR THE PREPARATION OF ANNUAL AUDITED FINANCIAL STATEMENTS**

The Directors are required by the Companies Act, 1965 ('Act') to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and their financial performance and cash flows for the financial year.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group and which enable them to ensure that the financial statements of the Company and of the Group comply with the Financial Reporting Standards and requirements of the Act in Malaysia.

The Directors consider that the financial statements set out on pages 45 to 102 have been prepared using appropriate accounting policies, which are consistently applied and are in accordance with the Financial Reporting Standards and the requirements of the Act in Malaysia.

The Directors have engaged independent auditors who are required to undertake inspection and make enquiries they consider to be appropriate for the purpose of enabling them to give their audit report set out on pages 40 to 44.

This statement is made in accordance with a resolution of the Board of Directors dated 27 April 2017.

GROUP FINANCIAL PROFILE

	2012	2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	85,349	74,672	89,057	84,894	84,682
Cost of sales	(38,810)	(41,829)	(57,486)	(58,843)	(59,353)
Gross profit	46,539	32,843	31,571	26,051	25,329
Interest income	2,705	2,709	2,677	2,493	2,977
Dividend income	1,697	2,191	2,302	2,822	2,840
Other income	1,839	2,104	1,404	4,020	1,015
Fair value adjustment of biological assets	(17,400)	17,500	(17,900)	1,600	15,800
Selling expenses	(1,429)	(1,717)	(1,756)	(1,847)	(1,342)
Administrative expenses	(16,718)	(18,471)	(20,315)	(20,828)	(18,809)
Replanting expenses	(4,323)	(5,059)	(6,243)	(6,806)	(7,132)
Other expenses	-	(19)	(7)	-	(3,244)
Share of results of associates	830	313	911	1,153	1,670
Share of results of a joint venture	1,456	(3,804)	(1,107)	(1,756)	(3,715)
Profit/(loss) before tax	15,196	28,590	(8,463)	6,902	15,389
Income tax (expense)/credit	(2,628)	(6,614)	2,897	(785)	(4,355)
Profit/(loss) net of tax	12,568	21,976	(5,566)	6,117	11,034
Attributable to:					
Owners of the Company	10,147	18,058	(4,021)	5,261	8,671
Non-controlling interests	2,421	3,918	(1,545)	856	2,363
	12,568	21,976	(5,566)	6,117	11,034
Dividends	15,269	6,318	6,318	4,212	4,212
Earnings/(loss) per stock unit (sen)					
Basic	14.45	25.72	(5.73)	7.49	12.35
Diluted	14.45	25.72	(5.73)	7.49	12.35
Net dividend (sen per stock unit)					
First interim	7.50	4.00	5.00	3.00	3.00
Second interim	10.50	5.00	4.00	3.00	3.00
Special	3.75	-	-	-	-
	21.75	9.00	9.00	6.00	6.00
Dividend cover (times)	0.66	2.86	N/A	1.25	2.06
Dividend payout - %	150.48	34.98	N/A	80.06	48.58
Gross profit margin - %	54.53	43.98	35.45	30.69	29.91

GROUP FINANCIAL PROFILE

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Assets					
Non-current assets					
Property, plant and equipment	274,339	313,420	379,850	443,725	481,958
Biological assets	38,800	56,300	38,400	40,000	55,800
Investments in associates	20,587	21,617	22,690	27,101	29,283
Investment in a joint venture	25,006	19,652	19,357	20,110	14,064
Investment securities	49,782	58,903	70,616	69,298	74,090
	<u>408,514</u>	<u>469,892</u>	<u>530,913</u>	<u>600,234</u>	<u>655,195</u>
Current assets					
Inventories	3,490	2,254	2,181	2,307	1,890
Receivables	4,502	6,304	5,150	6,951	7,515
Income tax recoverable	855	555	2,005	3,391	2,723
Cash and bank balances	129,903	127,659	118,346	117,122	120,096
	<u>138,750</u>	<u>136,772</u>	<u>127,682</u>	<u>129,771</u>	<u>132,224</u>
Total assets	<u>547,264</u>	<u>606,664</u>	<u>658,595</u>	<u>730,005</u>	<u>787,419</u>
Equity and liabilities					
Current liabilities					
Payables	8,656	8,874	8,356	8,239	8,888
Income tax payable	403	479	-	-	336
	<u>9,059</u>	<u>9,353</u>	<u>8,356</u>	<u>8,239</u>	<u>9,224</u>
Non-current liabilities					
Deferred tax liabilities	37,505	50,261	55,030	64,260	73,788
	<u>46,564</u>	<u>59,614</u>	<u>63,386</u>	<u>72,499</u>	<u>83,012</u>
Total liabilities	<u>46,564</u>	<u>59,614</u>	<u>63,386</u>	<u>72,499</u>	<u>83,012</u>
Equity attributable to owners of the parent					
Share capital	70,202	70,202	70,202	70,202	70,202
Share premium	4,336	4,336	4,336	4,336	4,336
Other reserves	164,571	190,405	239,515	290,163	322,604
Retained profits	179,398	191,710	182,565	185,132	191,382
	<u>418,507</u>	<u>456,653</u>	<u>496,618</u>	<u>549,833</u>	<u>588,524</u>
Non-controlling interests	82,193	90,397	98,591	107,673	115,883
Total equity	<u>500,700</u>	<u>547,050</u>	<u>595,209</u>	<u>657,506</u>	<u>704,407</u>
Total equity and liabilities	<u>547,264</u>	<u>606,664</u>	<u>658,595</u>	<u>730,005</u>	<u>787,419</u>
Net assets per stock unit attributable to owners of the Company (RM)					
	5.96	6.50	7.07	7.83	8.38
Current ratio	15.3	14.6	15.3	15.8	14.3
Return on equity attributable to owners of the Company	2.42%	3.95%	-0.81%	0.96%	1.47%

GROUP FINANCIAL PROFILE

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Net cash flows generated from/(used in) operating activities	21,415	8,855	5,073	(1,568)	5,582
Net cash flows (used in)/generated from investing activities	(803)	(4,736)	(7,229)	1,967	(54,700)
Net cash flows used in financing activities	(16,753)	(7,287)	(7,276)	(4,880)	(4,880)
Net increase/(decrease) in cash and cash equivalents	3,859	(3,168)	(9,432)	(4,481)	(53,998)
Effects of exchange rate changes on cash and cash equivalents	706	910	108	3,303	599
Cash and cash equivalents at beginning of year	124,982	129,547	127,289	117,965	116,787
Cash and cash equivalents at end of year	129,547	127,289	117,965	116,787	63,388
Deposits with maturity of more than 3 months	356	370	381	335	56,708
Cash and bank balances	129,903	127,659	118,346	117,122	120,096

PLANTATIONS STATISTICS

	2012	2013	2014	2015	2016
Malaysia					
Planted Area -Hectares					
Mature	6,106	6,179	6,078	5,848	5,719
Immature	1,064	1,000	1,101	1,325	1,454
	<u>7,170</u>	<u>7,179</u>	<u>7,179</u>	<u>7,173</u>	<u>7,173</u>
Mature area					
Age in years					
Above 25	5.55%	5.96%	3.38%	22.79%	19.69%
21 - 25	38.55%	37.66%	34.77%	9.59%	13.15%
16 - 20	18.36%	20.91%	25.87%	27.53%	21.79%
11 - 15	17.23%	22.17%	19.55%	17.08%	17.47%
6 - 10	18.11%	6.99%	5.21%	5.66%	13.57%
Below 6	2.20%	6.31%	11.22%	17.35%	14.33%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Production (m/t)					
ffb					
- own estates	123,244	118,223	113,364	114,552	89,779
- purchased	12,021	24,291	51,628	56,874	47,638
	<u>135,265</u>	<u>142,514</u>	<u>164,992</u>	<u>171,426</u>	<u>137,417</u>
Crude palm oil	<u>19,934</u>	<u>21,833</u>	<u>24,610</u>	<u>24,296</u>	<u>18,825</u>
Palm kernel	<u>5,340</u>	<u>5,744</u>	<u>6,337</u>	<u>6,789</u>	<u>5,195</u>
ffb yield per mature hectare, m/t per hectare	<u>20.18</u>	<u>19.13</u>	<u>18.80</u>	<u>19.59</u>	<u>15.70</u>
Extraction Rate (%)					
Crude palm oil	18.93	18.98	19.43	19.09	18.68
Palm kernel	5.07	4.99	5.00	5.33	5.16
	<u>5.07</u>	<u>4.99</u>	<u>5.00</u>	<u>5.33</u>	<u>5.16</u>
Joint venture in Indonesia					
Planted Area -Hectares					
Mature, below 6 years	702	1,969	1,969	2,653	2,653
Immature	1,951	684	684	-	-
	<u>2,653</u>	<u>2,653</u>	<u>2,653</u>	<u>2,653</u>	<u>2,653</u>

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The principal activities of the Company are the cultivation of oil palms and sale of fresh fruit bunches and investment holding.

The principal activities of the subsidiaries are the cultivation of oil palms and the process and sale of crude palm oil and palm kernel.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
Profit/(loss) net of tax	11,034,016	(2,353,451)
Attributable to:		
Owners of the Company	8,670,509	(2,353,451)
Non-controlling interests	2,363,507	-
	<u>11,034,016</u>	<u>(2,353,451)</u>

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

Dividends

The amount of dividends paid by the Company since 31 December 2015 were as follows:

	RM
In respect of the financial year ended 31 December 2016:	
First interim single tier dividend of 3% declared on 26 May 2016 and paid on 30 June 2016	2,106,059
Second interim single tier dividend of 3% declared on 24 November 2016 and paid on 30 December 2016	2,106,059
	<u>4,212,118</u>

In view of the payment of the interim dividends, the directors do not recommend any final dividend in respect of the current financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Goh Wei Lei	
Goh Pock Ai	
Keong Choon Keat	
Sio Sit Po	
Dato' Ong Bok Lim	
Gho Eng Liong	
Gho Lian Chin	
Goh Yeok Beng	
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	
Gho Bun Tjin (alternate to Gho Lian Chin)	
Goh Chih Yuan (Wu Zhiyuan)	(appointed on 1 January 2017)
Wong Aun Phui	(resigned on 24 November 2016)
Goh Eng Chew	(resigned on 1 January 2017)

DIRECTORS' REPORT**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in stock units in the Company and shares in its related corporations during the financial year were as follows:

	<----- Number of ordinary stock units of RM1 each ----->			
	1 January 2016	Bought	Sold	31 December 2016
The Company				
Direct interest:				
Goh Pock Ai	401,100	-	-	401,100
Goh Yeok Beng	400,000	-	-	400,000
Gho Lian Chin	2,200	-	-	2,200
Sio Sit Po	608,968	-	-	608,968
Gho Bun Tjin	2,200	-	-	2,200
Gho Eng Liong	400,000	-	-	400,000
Indirect interest:				
Goh Eng Chew	39,101,009	-	-	39,101,009
Gho Lian Chin	38,852,673	-	-	38,852,673
<hr/>				
	<----- Number of ordinary shares of RM1 each ----->			
	1 January 2016	Bought	Sold	31 December 2016
Eng Thye Plantations Berhad - Subsidiary				
Direct interest:				
Dato' Ong Bok Lim	35,000	-	-	35,000
Gho Eng Liong	3,500	-	-	3,500
Indirect interest:				
Goh Eng Chew	15,783,250	-	-	15,783,250
Gho Lian Chin	15,783,250	-	-	15,783,250

DIRECTORS' REPORT

Directors' interests (cont'd.)

	<----- Number of ordinary shares of RM1 each ----->			
	1 January 2016	Bought	Sold	31 December 2016
Timor Oil Palm Plantation Berhad - Subsidiary				
Direct interest:				
Goh Eng Chew	10,000	-	-	10,000
Goh Pock Ai	10,000	-	-	10,000
Goh Yeok Beng	10,000	-	-	10,000
Gho Lian Chin	10,000	-	-	10,000
Goh Tju Kiang @ Gho Tju Kiang @ Gho Tju Kiong	10,000	-	-	10,000
Indirect interest:				
Goh Eng Chew	6,132,300	-	-	6,132,300
Gho Lian Chin	6,132,300	-	-	6,132,300
Tiong Thye Company Sdn Bhd - Holding company				
Direct interest:				
Gho Lian Chin	1,000	-	-	1,000
Gho Bun Tjin	1,000	-	-	1,000
Indirect interest:				
Goh Eng Chew	17,150,000	-	-	17,150,000
Gho Lian Chin	9,233,000	-	-	9,233,000

Goh Eng Chew and Gho Lian Chin, by virtue of their interests in the holding company, are also deemed interested in the stock units and shares of all its subsidiaries to the extent the holding company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in stock units in the Company and shares of its related corporations during the financial year.

Other statutory information

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

Other statutory information (cont'd.)

- (c) At the date of this report, the directors are not aware of any circumstances 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.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; 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 the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2017.

Goh Wei Lei

Gho Lian Chin

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Goh Wei Lei and Gho Lian Chin, being two of the directors of Negri Sembilan Oil Palms Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 45 to 102 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

Other matters

The supplementary information set out in Note 33 on page 103, has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad. .

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 April 2017.

Goh Wei Lei

Gho Lian Chin

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Gan Kok Tiong, being the officer primarily responsible for the financial management of Negri Sembilan Oil Palms Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 45 to 103 are in my opinion 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 Gan Kok Tiong
at Kuala Lumpur in the Federal Territory
on 27 April 2017.

Gan Kok Tiong

Before me,

Ooi Ah Bah
No. W152
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Negri Sembilan Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 102.

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 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. 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 audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

a) Fair values of freehold and leasehold land classified under property, plant and equipment, and biological assets

The Group's freehold and leasehold land are carried at revalued amounts, being their fair values at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. As at 31 December 2016, the revalued amounts of the freehold and leasehold land are RM243,600,000 and RM224,300,000, respectively, as disclosed in Note 13 to the financial statements. The Group measures its biological assets at fair values less estimated point-of-sale costs. As at 31 December 2016, the biological assets are valued at RM55,800,000 as disclosed in Note 14 to the financial statements. Collectively, freehold and leasehold land, and biological assets represent 67% of the total assets of the Group.

Given the significance of the freehold and leasehold land, and biological assets to the total assets of the Group, and the significant judgments and estimations involved in the assessment of the valuations, we have identified this as an area of audit focus.

Freehold and leasehold land, and biological assets are revalued on 31 December 2016 based on valuations performed by accredited independent valuers. For freehold and leasehold land, the valuations are determined by reference to open market value using the market comparison technique. For biological assets, the valuation techniques used in measuring fair values are the discounted cash flows method and market comparison technique. We have obtained an understanding on the valuation methodologies and assessed the basis and assumptions used by the valuers.

INDEPENDENT AUDITORS' REPORT

Key audit matters (cont'd.)

a) Fair values of freehold and leasehold land classified under property, plant and equipment, and biological assets (cont'd.)

For the market comparison technique, our procedures included, amongst others, reviewing the appropriateness of the valuation methodology adopted such as comparison approach based on comparable market transactions that consider sales of similar properties in the open market with adjustments made for differences in location, terrain, size, shape of land, tenure, title restrictions if any, cultivation and other relevant characteristics to arrive at the market value.

For the discounted cash flows method, our procedures included, amongst others:

- Assessing the appropriateness of assumptions used in relation to the forecast and projected Crude Palm Oil ("CPO"), Palm Kernel ("PK") and Fresh Fruit Bunches ("FFB") prices, FFB yield of the oil palm estates and the estimated remaining useful lives of the biological assets. We assessed the CPO, PK and FFB price assumptions through comparisons with the latest market evidence available, including long-term price forecasts.
- Assessing the appropriateness of the discount factor used to determine the present value of the cash flows and whether the rate used reflect the current market assessment of the time value of money, and the risk specific to the asset is the return that the investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the Group expects to derive from the asset.
- Evaluating the adequacy of the disclosures of each key assumption on which the Group has based its cash flow projections. Key assumptions are those to which the revalued amounts are most sensitive, as disclosed in Note 13 and Note 14 to the financial statements.
- Considering the independence, capabilities and objectivity of the professional valuers.

b) Impairment assessment of investment in joint venture, Chin Thye Investment Pte. Ltd. ("Chin Thye")

As at 31 December 2016, the Group's carrying amount for its investment in a joint venture is RM14,063,947, as disclosed in Note 17 to the financial statements.

The principal activity of Chin Thye is investment holding and it holds a 70% equity interest in PT Lampung Karya Indah ("PTLKI"), which is engaged in oil palm plantation in South Sumatera Province, Indonesia. The harvesting of young matured palms at PTLKI has been delayed due to the unrest in the surrounding villages located in the vicinity of the plantation. Commencement of harvesting is pending clearance by the relevant authorities.

The continued losses incurred by Chin Thye indicated that the carrying amount of the investment in Chin Thye may be impaired. The Group has estimated the recoverable amount of its investment in Chin Thye based on fair value less costs to sell. As part of the Group's impairment assessment of the investment, the Group has engaged accredited independent valuers to perform a valuation update on the biological assets, land, rights, and acquired land interest of PTLKI as at 31 December 2016.

Given the losses incurred by Chin Thye, and the significant judgments and estimations involved in the assessment of the recoverable amount, we have identified this as an area of audit focus. In particular, we focused on the valuation of the land, rights, acquired land interest, and biological assets.

For land, rights, and acquired land interest, the valuations are determined by reference to open market value using the market comparison technique. For biological assets, the valuation techniques used in measuring fair values are the discounted cash flows method and market comparison technique. We have obtained an understanding on the valuation methodologies and assessed the basis and assumptions used by the valuers.

For the market comparison technique, our procedures included, amongst others, reviewing the appropriateness of the valuation methodology adopted such as comparison approach based on comparable market transactions that consider sales of similar properties in the open market with adjustments made for differences in location, terrain, size, shape of land, tenure, title restrictions if any, cultivation and other relevant characteristics to arrive at the market value.

INDEPENDENT AUDITORS' REPORT

Key audit matters (cont'd.)

b) Impairment assessment of investment in joint venture, Chin Thye Investment Pte. Ltd. ("Chin Thye") (cont'd.)

For the discounted cash flows method, our procedures included, amongst others,

- Assessing the appropriateness of assumptions used in relation to the forecast and projected FFB price, FFB yield of the oil palm estate and the estimated remaining useful lives of the biological assets. We assessed the FFB price assumptions through comparisons with the latest market evidence available, including long-term price forecasts.
- Assessing the appropriateness of the discount factor used to determine the present value of the cash flows and whether the rate used reflect the current market assessment of the time value of money, and the risk specific to the asset is the return that the investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the Group expects to derive from the asset.
- Evaluating the adequacy of the disclosures of each key assumption on which the Group has based its cash flow projections. Key assumptions are those to which the revalued amount is most sensitive, as disclosed in Note 17 to the financial statements.
- Considering the independence, capabilities and objectivity of the professional valuers.

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 Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability 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.

INDEPENDENT AUDITORS' REPORT

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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.
- 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 Group's or the Company's ability 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 33 on page 103 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Tan Shium Jye
No. 2991/05/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
27 April 2017

**STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	4	84,682,524	84,893,912	20,869,348	18,819,297
Cost of sales	4	(59,353,170)	(58,843,105)	(8,230,690)	(9,376,826)
Gross profit		<u>25,329,354</u>	<u>26,050,807</u>	<u>12,638,658</u>	<u>9,442,471</u>
Other items of income					
Interest income		2,976,756	2,492,667	1,246,884	1,061,417
Dividend income	5	2,839,666	2,822,082	2,349,268	2,332,463
Other income	6	1,015,272	4,020,581	53,548	76,706
Fair value adjustment of biological assets	14	15,800,000	1,600,000	1,100,000	7,200,000
Other items of expense					
Selling expenses		(1,341,789)	(1,847,560)	(242,008)	(362,778)
Administrative expenses		(18,808,992)	(20,828,397)	(7,915,450)	(7,820,141)
Replanting expenses		(7,132,171)	(6,806,283)	(3,743,191)	(3,569,408)
Other expenses		(3,243,677)	-	(6,879,306)	-
Share of results of associates		1,669,814	1,153,324	-	-
Share of results of a joint venture		(3,715,514)	(1,755,661)	-	-
Profit/(loss) before tax	7	<u>15,388,719</u>	<u>6,901,560</u>	<u>(1,391,597)</u>	<u>8,360,730</u>
Income tax expense	10	(4,354,703)	(784,660)	(961,854)	(1,874,104)
Profit/(loss) net tax		<u>11,034,016</u>	<u>6,116,900</u>	<u>(2,353,451)</u>	<u>6,486,626</u>
Attributable to:					
Owners of the Company		8,670,509	5,261,252	(2,353,451)	6,486,626
Non-controlling interests		2,363,507	855,648	-	-
		<u>11,034,016</u>	<u>6,116,900</u>	<u>(2,353,451)</u>	<u>6,486,626</u>
Earnings per stock unit attributable to owners of the Company (sen per stock unit)					
Basic	11	12.35	7.49		
Diluted	11	12.35	7.49		

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Profit/(loss) net of tax		11,034,016	6,116,900	(2,353,451)	6,486,626
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>					
Foreign currency translation		1,296,258	5,749,012	-	-
Net gain/(loss) on fair value changes of available-for-sale investment securities		3,392,680	(2,083,387)	(78,072)	(242,531)
- Transfer to profit or loss upon disposal		(16,528)	(316,567)	-	(29,307)
- Gain/(loss) on fair value changes		3,409,208	(1,766,820)	(78,072)	(213,224)
Net gain on fair value changes of available-for-sale investments in subsidiaries	15	-	-	23,832,484	26,750,393
Share of other comprehensive (loss)/income of an associate in respect of fair value reserve		(9,992)	10,743	-	-
<i>Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax</i>		4,678,946	3,676,368	23,754,412	26,507,862
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax:</i>					
Revaluation surplus on freehold and leasehold land		36,058,200	57,377,990	16,119,600	20,913,274
Share of other comprehensive income of a joint venture in respect of employee benefits plan reserve		8,600	7,000	-	-
<i>Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax</i>		36,066,860	57,384,990	16,119,600	20,913,274
Total other comprehensive income		40,745,806	61,061,358	39,874,012	47,421,136
Total comprehensive income for the year		51,779,822	67,178,258	37,520,561	53,907,762
Attributable to:					
Owners of the Company		42,902,007	57,427,660	37,520,561	53,907,762
Non-controlling interests		8,877,815	9,750,598	-	-
		51,779,822	67,178,258	37,520,561	53,907,762

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	13	481,958,342	443,725,072	199,849,586	181,729,151
Biological assets	14	55,800,000	40,000,000	23,800,000	22,700,000
Investments in subsidiaries	15	-	-	327,604,054	303,771,570
Investments in associates	16	29,282,994	27,100,945	11,063,584	11,063,584
Investment in a joint venture	17	14,063,947	20,110,647	7,031,974	13,781,480
Investment securities	18	74,090,236	69,297,714	8,167,130	8,096,428
		<u>655,195,519</u>	<u>600,234,378</u>	<u>577,516,328</u>	<u>541,142,213</u>
Current assets					
Inventories	19	1,889,852	2,306,710	282,486	201,609
Receivables	20	7,514,969	6,951,552	3,461,314	2,061,931
Income tax recoverable		2,723,221	3,390,574	-	340,625
Cash and bank balances	21	120,095,469	117,122,167	36,630,928	36,446,770
		<u>132,223,511</u>	<u>129,771,003</u>	<u>40,374,728</u>	<u>39,050,935</u>
Total assets		<u>787,419,030</u>	<u>730,005,381</u>	<u>617,891,056</u>	<u>580,193,148</u>
Current liabilities					
Payables	22	8,888,544	8,238,930	2,607,186	1,977,829
Income tax payable		336,035	-	336,035	-
		<u>9,224,579</u>	<u>8,238,930</u>	<u>2,943,221</u>	<u>1,977,829</u>
Non-current liabilities					
Deferred tax liabilities	26	73,788,119	64,259,819	35,404,982	31,980,909
Total liabilities		<u>83,012,698</u>	<u>72,498,749</u>	<u>38,348,203</u>	<u>33,958,738</u>
Equity attributable to owners of the Company					
Share capital	23	70,201,962	70,201,962	70,201,962	70,201,962
Share premium	23	4,335,840	4,335,840	4,335,840	4,335,840
Other reserves	24	322,603,870	290,163,487	436,496,729	397,582,717
Retained profits	25	191,381,840	185,132,334	68,508,322	74,113,891
		<u>588,523,512</u>	<u>549,833,623</u>	<u>579,542,853</u>	<u>546,234,410</u>
Non-controlling interests		<u>115,882,820</u>	<u>107,673,009</u>	-	-
Total equity		<u>704,406,332</u>	<u>657,506,632</u>	<u>579,542,853</u>	<u>546,234,410</u>
Total equity and liabilities		<u>787,419,030</u>	<u>730,005,381</u>	<u>617,891,056</u>	<u>580,193,148</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

2016 Group	Note	Equity attributable to owners of the Company, total RM		Non-distributable			Distributable				Non-distributable			Non- controlling interests RM
		Equity, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM	plan reserve of a joint venture RM	Employee benefits RM			
Opening balance at 1 January 2016		657,506,632	70,201,962	4,335,840	185,132,334	290,163,487	268,172,230	7,540,317	14,392,096	58,844	107,673,009			
Profit for the year		11,034,016	-	-	8,670,509	-	-	-	-	-	2,363,507			
Other comprehensive income		40,745,806	-	-	-	34,231,498	30,690,737	1,163,472	2,369,789	7,500	6,514,308			
Revaluation reserve of leasehold land realised		-	-	-	1,791,115	(1,791,115)	(1,791,115)	-	-	-	-			
Transactions with owners														
Dividends paid to owners of the Company	12	(4,212,118)	-	-	(4,212,118)	-	-	-	-	-	-			
Dividends paid to non-controlling interests		(668,004)	-	-	-	-	-	-	-	-	(668,004)			
Total dividends, representing total transactions with owners		(4,880,122)	-	-	(4,212,118)	-	-	-	-	-	(668,004)			
Closing balance at 31 December 2016		704,406,332	70,201,962	4,335,840	191,381,840	322,603,870	297,071,852	8,703,789	16,761,885	66,344	115,882,820			

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D.)**

2015 Group	Note	Equity attributable to owners of the Company, total RM		Distributable				Non-distributable				
		Equity, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Foreign currency translation reserve RM	Fair value adjustment reserve RM	Employee benefits plan reserve of a joint venture RM	Non- controlling interests RM	
Opening balance at 1 January 2015		595,208,496	496,618,081	70,201,962	4,335,840	182,565,551	239,514,728	221,245,898	2,307,192	15,908,856	52,782	98,590,415
Profit for the year		6,116,900	5,261,252	-	-	5,261,252	-	-	-	-	-	855,648
Other comprehensive income/(loss)		61,061,358	52,166,408	-	-	-	52,166,408	48,443,981	5,233,125	(1,516,760)	6,062	8,894,950
Revaluation reserve of leasehold land realised		-	-	-	-	1,517,649	(1,517,649)	(1,517,649)	-	-	-	-
Transactions with owners		-	-	-	-	-	-	-	-	-	-	-
Dividends paid to owners of the Company	12	(4,212,118)	(4,212,118)	-	-	(4,212,118)	-	-	-	-	-	-
Dividends paid to non-controlling interests		(668,004)	-	-	-	-	-	-	-	-	-	(668,004)
Total dividends, representing total transactions with owners		(4,880,122)	(4,212,118)	-	-	(4,212,118)	-	-	-	-	-	(668,004)
Closing balance at 31 December 2015		657,506,632	549,833,623	70,201,962	4,335,840	185,132,334	290,163,487	268,172,230	7,540,317	14,392,096	58,844	107,673,009

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D.)**

2016 Company	Note	←----- Non-distributable ----→				←----- Non-distributable -----→			
		Equity, total RM	Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Asset revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM
Opening balance at 1 January 2016		546,234,410	70,201,962	4,335,840	74,113,891	397,582,717	125,862,257	267,918,919	3,801,541
Loss for the year		(2,353,451)	-	-	(2,353,451)	-	-	-	-
Other comprehensive income/(loss)		39,874,012	-	-	-	39,874,012	16,119,600	23,832,484	(78,072)
Revaluation reserve of leasehold land realised		-	-	-	960,000	(960,000)	(960,000)	-	-
Transaction with owners		-	-	-	-	-	-	-	-
Dividends, representing total transaction with owners	12	(4,212,118)	-	-	(4,212,118)	-	-	-	-
Closing balance at 31 December 2016		579,542,853	70,201,962	4,335,840	68,508,322	436,496,729	141,021,857	291,751,403	3,723,469

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D.)

2015 Company	Note	Equity, total RM	←----- Non-distributable ----→			----- Non-distributable -----→			
			Share capital RM	Share premium RM	Retained profits RM	Other reserves, total RM	Asset revaluation reserve – land RM	Asset revaluation reserve – investments in subsidiaries RM	Fair value adjustment reserve RM
Opening balance at 1 January 2015		496,538,766	70,201,962	4,335,840	71,035,455	350,965,509	105,752,911	241,168,526	4,044,072
Profit for the year		6,486,626	-	-	6,486,626	-	-	-	-
Other comprehensive income/(loss)		47,421,136	-	-	-	47,421,136	20,913,274	26,750,393	(242,531)
Revaluation reserve of leasehold land realised		-	-	-	-	(803,928)	(803,928)	-	-
Transaction with owners		-	-	-	803,928	-	-	-	-
Dividends, representing total transaction with owners	12	(4,212,118)	-	-	(4,212,118)	-	-	-	-
Closing balance at 31 December 2015		546,234,410	70,201,962	4,335,840	74,113,891	397,582,717	125,862,257	267,918,919	3,801,541

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Operating activities				
Profit/(loss) before tax	15,388,719	6,901,560	(1,391,597)	8,360,730
Adjustments for:				
Depreciation of property, plant and equipment	6,158,039	5,732,229	2,282,684	2,068,716
Fair value increase in biological assets	(15,800,000)	(1,600,000)	(1,100,000)	(7,200,000)
Gain on sale of property, plant and equipment	-	(250,954)	-	-
Dividend income	(2,839,666)	(2,822,082)	(2,349,268)	(2,332,463)
Interest income	(2,976,756)	(2,492,667)	(1,246,884)	(1,061,417)
Net fair value gain on available-for-sale securities (transferred from equity on disposal)	(16,528)	(316,567)	-	(29,307)
Property, plant and equipment written off	129,800	-	129,800	-
Provision for impairment loss on investment in a joint venture	3,113,877	-	6,749,506	-
Share of results of associates	(1,669,814)	(1,153,324)	-	-
Share of results of a joint venture	3,715,514	1,755,661	-	-
Unrealised gain on foreign exchange	(599,100)	(3,303,721)	(1,278)	(16,400)
Total adjustments	(10,784,634)	(4,451,425)	4,464,560	(8,570,871)
Operating cash flows before changes in working capital	4,604,085	2,450,135	3,072,963	(210,147)
Changes in working capital				
Decrease/(increase) in inventories	416,858	(125,515)	(80,877)	35,113
Decrease/(increase) in receivables	246,222	(1,722,434)	(925,327)	(275,128)
Increase/(decrease) in payables	649,614	(117,558)	629,357	(113,867)
Total changes in working capital	1,312,694	(1,965,507)	(376,847)	(353,882)
Cash flows generated from/(used in) operations	5,916,779	484,628	2,696,116	(564,023)
Income taxes paid	(334,815)	(2,052,402)	(201,521)	(340,402)
Net cash flows generated from/(used in) operating activities	5,581,964	(1,567,774)	2,494,595	(904,425)
Investing activities				
Changes in deposits with maturity of more than 3 months	(56,372,936)	46,047	(26,196,629)	(6,670)
Dividends received	2,233,574	2,630,406	2,255,109	2,252,471
Interest received	2,167,117	2,412,920	772,828	989,075
Purchase of property, plant and equipment	(1,951,109)	(3,145,386)	(1,072,919)	(730,026)
Purchase of investment securities	(1,166,352)	(1,987,849)	(54,615)	(109,720)
Proceeds from sale of property, plant and equipment	-	279,480	-	-
Proceeds from sale of investment securities	389,130	1,731,051	-	69,437
Net cash flows (used in)/generated from investing activities	(54,700,576)	1,966,669	(24,296,226)	2,464,567
Financing activities				
Dividends paid to owners of the Company	(4,212,118)	(4,212,118)	(4,212,118)	(4,212,118)
Dividends paid to non-controlling interests	(668,004)	(668,004)	-	-
Net cash flows used in financing activities	(4,880,122)	(4,880,122)	(4,212,118)	(4,212,118)
Net decrease in cash and cash equivalents	(53,998,734)	(4,481,227)	(26,013,749)	(2,651,976)
Effects of exchange rate changes on cash and cash equivalents	599,100	3,303,721	1,278	16,400
Cash and cash equivalents at 1 January	116,786,720	117,964,226	36,216,138	38,851,714
Cash and cash equivalents at 31 December (Note 21)	63,387,086	116,786,720	10,203,667	36,216,138

The accompanying accounting policies and explanatory information form an integral part of the financial statements.